



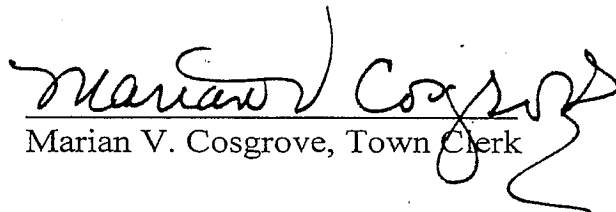
NOTICE OF SPECIAL MEETING

TOWN OF LOS GATOS TOWN COUNCIL/PARKING AUTHORITY/ REDEVELOPMENT AGENCY

Sandy Decker, Mayor
Steve Glickman, Vice Mayor
Diane McNutt, Council Member
Joe Pirzynski, Council Member
Mike Wasserman, Council Member

NOTICE IS HEREBY GIVEN that Steve Glickman, Mayor of the Town Council of the Town of Los Gatos called a Special Meeting (Study Session) for February 24, 2004 at 6:00 p.m. to facilitate discussion on Fiscal Year 2003/04 Budget Update and Budget Development Strategies for Fiscal Year 2004/05 (in the Council Chambers, 110 East Main Street)

MEETING WILL BE TELEVISED


Marian V. Cosgrove, Town Clerk

Dated: February 17, 2004

cc: San Jose Mercury News
Los Gatos Weekly Times
Los Gatos Daily News
Council Members
Posted



Steve Glickman, Mayor
Mike Wasserman, Vice Mayor
Sandy Decker, Council Member
Diane McNutt, Council Member
Joe Pirzynski, Council Member

**TOWN OF LOS GATOS
TOWN COUNCIL
STUDY SESSION AGENDA
110 EAST MAIN STREET
COUNCIL CHAMBER (DOWNSTAIRS)
TUESDAY, FEBRUARY 24, 2004 - 6:00 P.M.**

MEETING WILL BE TELEVISED

VERBAL COMMUNICATIONS *(Three-minute time limit.)*

2003/04 Second Quarter Budget Performance and Status Report - Six Months Ending December 31, 2003

- a. Accept 2003/04 Second Quarter Budget Performance Status Report, including Fiscal Year 2004-09 Five-Year Financial Projections
- b. Authorize budget adjustments as recommended in the First Quarter Budget Performance Report
- c. Discuss and provide direction regarding Preliminary Tier I and Tier II Fiscal Year Budget Balancing Proposals to be incorporated into Town's Fiscal Year 2004/05 Proposed Budget

ADJOURNMENT

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT PATSY GARCIA AT (408) 354-6832. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]

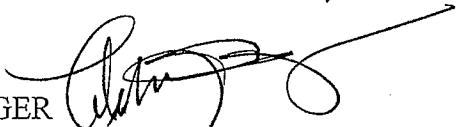


MEETING DATE: 02/24/04
STUDY SESSION

COUNCIL AGENDA REPORT

DATE: February 24, 2004

TO: MAYOR AND TOWN COUNCIL

FROM: DEBRA J. FIGONE, TOWN MANAGER 

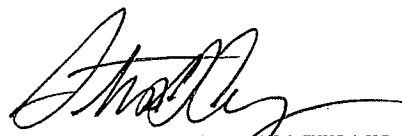
SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

- A. ACCEPT 2003/04 SECOND QUARTER BUDGET PERFORMANCE STATUS REPORT, INCLUDING FY 2004-09 FIVE-YEAR FINANCIAL PROJECTIONS.
- B. AUTHORIZE BUDGET ADJUSTMENTS AS RECOMMENDED IN THE ATTACHED SECOND QUARTER BUDGET PERFORMANCE REPORT.
- C. DISCUSS AND PROVIDE DIRECTION REGARDING PRELIMINARY TIER I AND TIER II FY 2004-05 BUDGET BALANCING PROPOSALS TO BE INCORPORATED INTO TOWN'S FY 2004/05 PROPOSED BUDGET.

RECOMMENDATION:

1. Accept 2003/04 second quarter budget performance and status report.
2. Authorize budget adjustments as recommended in the attached second quarter budget performance report.
3. Discuss and provide direction on the preliminary Tier I and II FY 2004/05 budget balancing proposals to be incorporated into the Town's FY 2004/05 Proposed Budget.

PREPARED BY:



STEPHEN D. CONWAY

Finance & Administrative Services Director

SDC:pg

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Reviewed by: PSJ Assistant Town Manager _____ Town Attorney _____ Clerk _____ Finance
_____ Community Development

Revised: 2/13/04 4:37 pm

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

February 24, 2004

PURPOSE:

The purpose of this study session is to provide the Town Council with staff's most recent information regarding the evolving budget situation for FY 2003/4 and beyond, including:

- A mid-year FY 2003/04 budget update focusing on revenue and expenditure trends and financial projections for the current year.
- An update to the Town's five year financial projections (FY 2004-09) to provide a framework for understanding the estimated size of the budget challenges in future years that underlie the necessity for budget reductions and revenue enhancement recommendations that will be discussed with the Town Council.
- A forum to discuss in more detail the preliminary proposed budget reductions and revenue enhancement proposals as presented in suggested priority order for FY 2004/05, including associated service level impacts to the community and the organization for each of the proposed reductions. Included with each department is an overview describing the approach taken by the departments to develop the proposals.

THE REPORT:

This report comprehensively examines the current year budget status, expected fiscal outlook and the evolving process of budget development for FY 2004/05 and beyond. Items for Town Council consideration include:

- A review of the Town's FY 2003/04 Mid Year Budget Performance and Status Report;
- An update to the Town's five-year financial projections through FY 2008/09;
- An historical briefing of the Town's budget reduction efforts to date that have been implemented since FY 2001/02;
- A recap of the budgetary actions, trends, considerations and criteria used by the Town in developing plans to meet the forecasted budget challenges;
- A matrix of departmental proposals presented in priority order, including a discussion by departments of the service level impacts to the community of each reduction proposal.

DISCUSSION:

FY 2003/04 MID YEAR BUDGET STATUS:

The attached Budget Performance Report (Attachment 1) is the mid year report covering the six months beginning July 1, 2003 and ending December 31, 2003. The Budget Performance Report presents analysis and recommendations related to key General Fund revenues by category and expenditures by fund.

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SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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Staff provides to Town Council periodic updates on the status of the current year's adopted budget revenues and expenditures and the projected financial condition of Town funds, concentrating primarily on the Town's General Fund. Though the financial results are limited to the first six months, staff has more information available than at the time of the first quarter report, allowing an update based on revenue trends for the current fiscal year. Information is provided regarding vital revenues to the Town such as Sales Tax, Property Tax, Transient Occupancy Tax, Vehicle License fees (Car Tax), Business License Tax, Fees and Charges and Interest Income. This information aids staff in providing the status of the revenues adopted to support the FY 2003-04 operating budget. Furthermore, the Town Council is advised of any material recommended changes to estimated revenue sources included in the Town's FY 2003/04 adopted budget.

Overall, total General Fund estimated operating revenues for the current year are anticipated to be lower by \$357,100 than the adopted budget estimates. Most notably, there is a suggested lowering of Sales Tax estimates for the current year from \$6,800,000 to \$6,650,000. The Interest Income estimate is also recommended to be lowered from \$1,290,100 to \$1,150,000. Transient Occupancy taxes are recommended to be adjusted lower from \$900,000 to \$830,000. The attached Budget Performance and Status Report provides more details and analysis regarding revenue and expenditure activity and the recommended budget adjustments for principal General Fund revenue sources. The mid-year budget projections for the current year assumes that the recommended adjustments to the revenue estimates have been approved by Town Council.

On a positive note, staff is encouraged by the fact that expenditures in many Town departments are trending below the expected 50% of budget level (expected level halfway through the fiscal year). These savings, combined with additional savings from departmental reductions implemented since December 2003 as part of the Town's budget process, are anticipated to be enough to provide coverage for the proposed revenue reductions in FY 2003/04 totaling \$357,100. However, there may be additional revenue impacts that will need to be addressed if there are increased current year State "takes" of revenues.

The availability of excess balances resulting from fiscal year expenditure reductions is one important part of potential funding the Town is describing as "bridge funding." Bridge funding is conceptualized as a funding source to be used as dollars available to move to more efficient organizational structures, ferret out and understand new service delivery options, and allow time for new initiatives and programs to become more fully formed. Bridge funding will allow more time to ramp up or bring new programs "on-line," providing some resources for "start-up" costs until the programs can be sustained by operating revenues. Normally, the Town's policies provide that any excess revenues over expenditures in the fiscal year not specifically designated for other uses is set aside in a reserve for future capital improvements. This year, staff will recommend that Council consider some or all of these revenues be used as potential sources of bridge funding for next fiscal year, if warranted.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
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The availability of bridge funding provides the Town a longer planning horizon to develop appropriate organizational structures that align with the new fiscal reality; inform the Town's employees of potential reductions in the workforce; inform the community about potential service level impacts; and to establish appropriate service levels that balance with revenues projected for next fiscal year.

Sources of potential bridge funding include:

- Excess Revenues Over Expenditures. As discussed above, if there excess balances at the close of the fiscal year, the balances not designated by Town Council for specific purposes are designated for Future Capital Improvements by Town policy. This year the Town may desire to designate some of this potential funding for bridging purposes.
- General Fund Reserves. FY 2003/04 beginning fund balance consists of approximately \$10.9 million of total "available" reserves. The bulk of these reserve are "committed" or designated for specific purposes like parking, open space, and other uses. Included in this total is the Reserve for Economic Uncertainty intact at \$3,678,000. However, there is an approximate \$400,000 of the \$10.9 million available in undesignated reserves that could be used for bridge funding.
- Internal Service Fund Reserves. Staff believes there is some additional capacity to absorb some additional transfers from these funds to repay the General Fund for prior year overcharges. Staff believes each fund is adequately funded, and there remains an ability to tap some of this surplus for appropriate bridging uses.
- Public Employees Retirement System (PERS) Set-Aside. The Town has accumulated approximately \$3 million in its General Fund liability account to be used to buffer future Retirement System rate increases by continuing to charge itself the Non-Sworn employer PERS contribution of 7% even when the official PERS rate charged to the Town was 0% due to the Town's surplus at PERS. This prudent fiscal decision which we have been continuing since 1999 is proving to be very valuable now with PERS rates rising rapidly due to stock market losses.

Using reserves or other sources of bridge funding needs to be done strategically, ensuring that these funding sources are not used to fund ongoing cost and service delivery structures that are not supported by forecasted future operating revenues.

FIVE YEAR FINANCIAL PROJECTIONS UPDATE:

Staff recently updated the Town's Five Year Financial Plan spanning fiscal years 2004/05 through 2008/09. The updated scenarios continue to demonstrate the need for the Town to take action to maintain the Town's fiscal health. Projected FY 2004/05 revenue shortfalls in both scenarios described below as Scenario I and Scenario II range from \$1.5 million to \$3.2 million, depending upon the level of recovery in local economically sensitive revenues and the amount of loss of revenue the Town is forced to absorb from potential State takes of revenue.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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Scenario I, presented in the following pages, assumes approximately \$500,000 State takes in revenues similar to the amount the Town experienced this fiscal year. This scenario assumes that the State "back-fill" of approximately \$1.2 million in Car Tax will continue in future years as promised by the State when the fee was reduced by two-thirds. Revenues are optimistically presented with varying growth rates, on average 5% for taxes and 3% for charges for services. Expenditures are pulled from a database using actual costs and adjusting for future known increases in labor costs if multi-year labor agreements are in effect.

Scenario II projects a more serious loss in revenues, where local revenue and expenditure assumptions remain the same with the exception that the annual Car Tax revenue is lost. This scenario is presented as a potential estimate of a "worse case" scenario. This scenario could be reality if the State budget crisis is not resolved satisfactorily and the State eliminates all or portions of the back-fill, or implements a blend of shifts such as portions of the Town's property tax (ERAF), or other state funding sources such as grants and state mandated cost reimbursements. The value of these potential shifts in a worst case scenario could potentially approach the Scenario II level which reflects an entire loss of the Car tax and State back-fill.

Each of the scenarios presented assume that fixes made to the budget to eliminate the revenue shortfall in FY 2004/05 are "permanent" fixes, thereby reducing the level of shortfall in the following fiscal years. The amounts fixed permanently in the Town's operating costs are assumed to carry forward cumulatively each year, lessening the reduction required in subsequent years. It is possible to make some adjustments through one-time solutions or prudent use of bridge funding on a year-to-year basis. However, these solutions recognize that problems that are truly structural should be addressed eventually with new revenue sources or reduced expenditures in an ongoing way.

The following pages present Scenarios I & II. A terminology guide follows as an aid to understanding the Updated Five Year Financial Projections data that is presented in each scenario.

MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

February 24, 2004

Town of Los Gatos		Scenario I					
Five Year Financial Plan		Town of Los Gatos Five Year Financial Plan (Car Tax Intact)					
Summary Data	ACTUAL	ADOPTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Revenue Summary	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales Tax	6,928,817	6,800,000	7,140,000	7,497,000	7,871,850	8,265,443	8,678,715
Property Tax	4,977,119	5,338,006	5,658,286	5,997,784	6,357,651	6,739,110	7,143,456
Hotel/Motel Tax	713,064	900,000	945,000	992,250	1,041,863	1,093,956	1,115,835
Franchise Tax	897,158	896,400	941,220	988,281	1,037,695	1,089,580	1,144,059
Business Licenses	970,554	1,065,000	1,096,950	1,129,859	1,163,754	1,198,667	1,234,627
Other Lic. and Permits	975,701	761,000	783,830	807,345	831,565	856,512	882,208
Car Tax	1,722,801	1,632,000	1,713,600	1,799,280	1,889,244	1,983,706	2,082,892
Intergovernmental Rev.	1,463,388	1,368,804	1,394,190	1,415,916	1,443,293	1,472,551	1,502,516
Charges for Services	2,209,851	2,468,961	2,567,909	2,705,883	2,847,390	3,004,928	3,130,253
Fines & Forfeitures	187,117	192,000	200,100	208,560	217,397	226,627	234,642
Investment Earnings	1,336,711	1,191,675	1,221,467	1,252,004	1,283,304	1,315,386	1,348,271
Miscellaneous	480,762	144,000	152,650	160,633	168,964	177,662	186,745
Transfers	1,105,853	1,375,517	778,705	601,736	470,418	393,855	361,133
Total Revenues	23,968,896	24,133,363	24,593,907	25,556,529	26,624,387	27,817,983	29,045,351
Town Expenditures							
Salaries	11,576,547	11,548,000	12,919,260	13,221,506	13,714,074	14,213,570	14,713,959
Benefits	3,167,089	3,539,700	3,844,677	4,359,095	5,003,331	5,583,186	6,149,548
Temporary Sal. & Ben.	438,711	341,500	422,566	439,411	456,051	471,258	490,122
Paid Overtime	455,418	453,000	406,926	417,461	438,334	460,250	483,263
Total Sal. & Ben.	15,637,765	15,882,200	17,593,429	18,437,473	19,611,789	20,728,264	21,836,891
Grants & Awards	230,263	213,450	213,450	213,450	213,450	213,450	224,123
Training	163,474	145,455	149,819	154,313	158,943	163,711	171,896
Employee Retiree Med.**	103,162	130,000	163,000	211,000	290,000	363,000	381,150
Animal Control Oper.	179,153	196,000	164,000	180,400	198,440	218,284	229,198
Supplies and Services	2,631,024	2,949,660	3,038,150	3,129,294	3,223,173	3,319,868	3,485,862
Utilities	440,352	342,670	359,804	377,794	396,683	416,518	437,343
Capital Purchases	85,689	17,500	50,000	51,500	53,045	54,636	57,368
Internal Service Funds	3,201,262	3,019,920	3,110,518	3,203,833	3,299,948	3,398,947	3,568,894
Debt Service/Transfers	641,510	1,226,508	1,226,508	1,226,508	1,226,508	1,226,508	1,231,311
Storm Drains	-	-	-	-	-	-	-
Road Maintenance/Rep.	72,864	10,000	10,500	11,025	11,576	12,155	12,763
Total Expenditures	23,386,518	24,133,363	26,079,176	27,196,590	28,683,556	30,115,341	31,636,799
Ongoing Shortfall Mitigation 05-06 (Assumes Permanent Fix)				1,485,269	1,640,061	2,059,169	2,297,358
Revenues Over (Under) Exp.	582,378	-	(1,485,269)	(154,792)	(419,108)	(238,189)	(294,090)
Revenue Shortfall as a % of Operating Revenue		0.00%	6.04%	0.61%	1.57%	0.86%	1.01%

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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Town of Los Gatos		Scenario II					
Five Year Financial Plan		Town of Los Gatos Five Year Financial Plan (Car Tax Lost)					
Summary Data	ACTUAL	ADOPTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Revenue Summary	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales Tax	6,928,817	6,800,000	7,140,000	7,497,000	7,871,850	8,265,443	8,678,715
Property Tax	4,977,119	5,338,006	5,658,286	5,997,784	6,357,651	6,739,110	7,143,456
Hotel/Motel Tax	713,064	900,000	945,000	992,250	1,041,863	1,093,956	1,115,835
Franchise Tax	897,158	896,400	941,220	988,281	1,037,695	1,089,580	1,144,059
Business Licenses	970,554	1,065,000	1,096,950	1,129,859	1,163,754	1,198,667	1,234,627
Other Lic. and Permits	975,701	761,000	783,830	807,345	831,565	856,512	882,208
Car Tax	1,722,801	1,632,000	-	-	-	-	-
Intergovernmental Rev.	1,463,388	1,368,804	1,394,190	1,415,916	1,443,293	1,472,551	1,502,516
Charges for Services	2,209,851	2,468,961	2,567,909	2,705,883	2,847,390	3,004,928	3,130,253
Fines & Forfeitures	187,117	192,000	200,100	208,560	217,397	226,627	234,642
Investment Earnings	1,336,711	1,191,675	1,221,467	1,252,004	1,283,304	1,315,386	1,348,271
Miscellaneous	480,762	144,000	152,650	160,633	168,964	177,662	186,745
Transfers	1,105,853	1,375,517	778,705	601,736	470,418	393,855	361,133
Total Revenues	23,968,896	24,133,363	22,880,307	23,757,249	24,735,143	25,834,277	26,962,459
Town Expenditures							
Salaries	11,576,547	11,548,000	12,919,260	13,221,506	13,714,074	14,213,570	14,713,959
Benefits	3,167,089	3,539,700	3,844,677	4,359,095	5,003,331	5,583,186	6,149,548
Temporary Sal & Ben.	438,711	341,500	422,566	439,411	456,051	471,258	490,122
Paid Overtime	455,418	453,000	406,926	417,461	438,334	460,250	483,263
Total Sal. & Ben.	15,637,765	15,882,200	17,593,429	18,437,473	19,611,789	20,728,264	21,836,891
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Capital Purchases	85,689	17,500	50,000	51,500	53,045	54,636	57,368
Internal Service Funds	3,201,262	3,019,920	3,110,518	3,203,833	3,299,948	3,398,947	3,568,894
Debt Service/Transfers	641,510	1,226,508	1,226,508	1,226,508	1,226,508	1,226,508	1,231,311
Storm Drains	-	-	-	-	-	-	-
Road Maintenance/Rep.	72,864	10,000	10,500	11,025	11,576	12,155	12,763
Total Expenditures	23,386,518	24,133,363	26,079,176	27,196,590	28,683,556	30,115,341	31,636,799
Ongoing Shortfall Mitigation 05-06 (Assumes Permanent Fix)				3,198,869	3,439,341	3,948,413	4,281,064
Revenues Over (Under) Exp.	582,378	-	(3,198,869)	(240,472)	(509,072)	(332,651)	(393,276)
Revenue Shortfall as a % of Operating Rev.		0.00%	13.98%	1.01%	2.06%	1.29%	1.46%

February 24, 2004

Terminology Guide in Reviewing Five Year Financial Plan

Total Revenues - Total of principal General Fund revenues, FY 2003/04 uses the adopted budget and the other years use an average 5% growth rate from adopted budget levels for economically sensitive revenues such as Sales Tax.

Total Expenditures - Total of principal General Fund expenditures by expenditure type, FY 2003/04 uses the adopted budget and the other years use an average 3-5% growth rate in future years depending on the expenditure type.

Ongoing Shortfall Mitigation 05-06 (Assumes Permanent Fix) - A dollar amount appears first in FY 2005/06. This amount is added back to revenues in that year because it assumes that the fixes the Town makes to its operating cost structure are fixed permanently, thereby they will reduce costs on an ongoing basis in future years. The amount accumulates by the amount of the permanent fix required every year by comparing operating revenues with operating expenditures. The degree of fix needed depends on whether Car Tax revenues are intact or lost and whether a full permanent fix is made each year. It is in this situation where staff will need to evaluate whether partial offsets with excess reserves could be used to buy the time needed to implement solutions that save costs yet require time to implement.

Revenues Over (Under Expenditures) - Compares General Fund Operating Revenues plus Permanent Fix dollars minus General Fund Operating Expenditures.

Revenue Shortfall as a % of Operating Revenues - In FY 2004/05, the projected reduction percentage required to align operating expenditures with revenues. In 2005/06 the percentage reductions required take into account the Permanent Fix occurring in the prior year.

Both updates to the long term Five Year financial scenarios indicate the Town was wise to begin strategic cost reductions dating back to FY 2001/02, with cumulative reductions of approximately \$3.0 million in Town operating expenditures since that time. These efforts have been a multi-pronged approach to achieve operational efficiencies, cost reductions, and exploration of alternative methods of service delivery options by the Town.

Continuing Vulnerabilities:

The Town continues to be impacted by operating revenue and expenditure challenges that must be monitored and addressed. Progress or lack thereof in these vulnerabilities will unavoidably affect Town-wide service delivery goals in future years. Staff sees challenges in both the ongoing revenue and cost structure as described below:

February 24, 2004

Revenues

Recovery in Economically Sensitive Revenues. The financial projections assume that a modest recovery will be experienced by the Town in revenues such as Sales Tax, Business License Tax and Hotel Tax, among others. If this recovery does not materialize, then the revenue shortfall could exceed the forecasted amounts under both scenarios.

The Town's Sales Tax collections are of continuing concern. An example is the Town's auto dealerships which experienced a decline in sales tax collections in the last quarter of 11%, when state-wide dealerships experienced a 10% average growth in the same quarter. The Town's auto dealerships account for approximately 30% of the Town's total annual Sales Tax. Another concern is the importance of retaining the technology sector businesses which contribute to the Town's collections, one of which is now one of our largest providers of sales tax annually. The importance of having a well balanced sales tax base continues to be an important objective.

State Budget Impacts to the Town are also unknown. The Governor's budget delivered in January 2004 retains the Car Tax "back-fill" but proposes a property tax shift (ERAF) of approximately \$400,000 from the Town and an additional amount from the Redevelopment Agency. If the March 2004 statewide bond measure fails to pass, the ramifications to the Town are unknown at this time, but it is realistic to make plans to address even more painful state revenue takes.

Drivers of Town Cost

*Salary & Benefits-*Town government is in the business of providing services which depend on people to deliver. Consequently, the most significant driver of cost for service delivery is the cost of labor. Salaries and benefits of employees comprise the largest share of the Town's General Fund operating expenditures (approximately 70%). In order for the Town to remain competitive in the labor market in a high cost region, public safety costs in particular, have increased substantially in recent years. This is due, in part, to significant salary increases throughout the region and increasing costs of benefits. Consistent with public safety statewide, Los Gatos sworn public safety employees were provided an enhanced retirement formula in 2000 under the State Public Employees Retirement System (PERS).

The costs associated with the new retirement formula and several years of negative investment returns in the pension system have resulted in significant changes in retirement contributions. The Town's contribution toward retirement for Sworn Personnel is expected to rise from the current rate of 16% for FY 2003/04 to be greater than 28% of covered payroll in FY 2004/05. Recent information factored into the Five Year Forecast indicates this cost may rise to 35% of covered safety payroll. Non-sworn employee salary and benefit adjustments have been more moderate, however the Town's retirement contribution for these employees is expected to increase from 0% to 8% in FY 2004/05 and the current PERS information indicates it could rise to approximately 15% of covered payroll in FY 2008/09.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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Health care costs are also trending upward, with increases of 16-20% annually over the past several years. This means that the Town's contribution to healthcare costs as currently stipulated in our labor contracts will go up by these amounts. The Town will need to continue to explore ways to contain the costs of salary and benefit compensation and concurrently remain competitive to attract and retain a qualified workforce.

Energy Costs-Town-wide cost increases have exceeded the general inflation rate. This increase is due in part to the rise in electric and gas charges resulting from the recent Statewide energy crisis and global fluctuations in gasoline prices. Energy costs continue to be monitored by staff. Steps are already underway to examine Town-wide energy costs and look for ways to manage energy use and control costs.

Internal Service Charges-The Town prudently charges itself on an annual basis internal services charges that provide funds used to replace rolling stock, provide information services and technology replacements, perform building maintenance, and maintain workers compensation and general liability programs, among others. Though the Town could eliminate this practice and go on a "pay-as-you-go" basis, staff believes this would not be a best practice in financial management. However, we should continue to ensure that our internal rate setting practices are in line with projected internal service funding needs.

Performance Measures-The Town is actively pursuing implementation of service delivery performance measures linked to key program services that aim to measure the results of providing the service. This information will aid the Town in better aligning scarce resources with service delivery outcomes, providing a more efficient organization with increased accountability to the public.

REVENUE ENHANCEMENTS AND COST CONTAINMENT:

Realizing the vulnerabilities of the Town's ongoing stream of revenues and its limited revenue base, it is essential that the Town ensure that it is charging adequate fees and charges to recover the cost of services so as not to create public subsidies for private development and other specialized services provided to the Town's customer base. In that regard, staff will once again be examining and bringing forward for Town Council approval a comprehensive fee review and update as part of the FY 2004/05 budget process. The Town is also evaluating internal costs related to Town support of special events and will discuss with the Council the desired policies regarding objectives of cost recovery. Included in this review is a 911 system fee currently under evaluation by many cities in the region.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

February 24, 2004

Review of the FY 2004/05 budget proposals will reveal some new revenue opportunities that the Administration will be bringing forward for discussion with the Town Council in an creative approach to develop additional appropriate and sustainable revenue streams for Town services. In looking forward to future years, management intends to review with the Town Council other revenue options such as tax measures, assessments or bond issues that could be explored to provide funding for community assets such as police facilities, libraries, infrastructure (streets and roads), or special services such as public safety or library services, or some combination of both. Since proceeding with any such measure would need to be carefully analyzed, early education and review of options would be an important first step in this process.

On the cost side, the Town is exploring as part of its budget development and in its upcoming bargaining sessions with the Town labor groups initiatives with ongoing cost containment as a goal for the future health of the organization. Many ideas are being explored and analyzed by the Town and will continue to evolve through the budget cycle and employee bargaining process. Global cost containment initiatives such as Town Hall closures, for example, will also be explored with Council.

BUDGET REDUCTION EFFORTS TO DATE:

Since FY 2000/01 the Town has been actively addressing the budget challenges facing the Town in recent years. The Town has been pro-actively taking steps that have kept the Town's operating revenues in balance with operating expenses since that time. These steps included:

- In early FY 2001/02 the Town began expenditure reductions across all departments in response to the developing recession, including strategically delaying or slowing down operating expenditures, de-funding authorized positions, enacting selected hiring freezes, and extending equipment replacements, where practical. To date, approximately 15 full time equivalent positions have been de-funded from the Town's budget totaling nearly \$1.7 million dollars to date, comprising a substantial part of the approximately \$3.0 million cumulative cost reductions made through this fiscal year.
- In February 2003, the Town implemented expenditure reductions across all Town services of nearly \$1.5 million dollars of expenditure reductions (approximately 6% of General Fund FY 2002/03 budgeted expenditures). The objective was to limit the effects on service delivery to the public by utilizing, where available, salary savings due to vacancies and hiring freezes, salary step savings and selected departmental cost saving initiatives.
- The Town's adopted budget for FY 2003/04 was developed in an environment where flat revenue growth of economically-sensitive revenues was conservatively projected. Specifically, the adopted budget incorporated approximately \$1.3 million of additional reductions (internally referred to as "Tier I" and described in the FY 2003/04 adopted budget transmittal message) from the prior year's adopted budget to balance operating expenditures with operating revenues.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

February 24, 2004

- Staff also prepared a second round of reduction proposals (internally referred to as "Tier II" and also described in the FY 2003-04 adopted budget transmittal message) of approximately \$1.2 million in Town-wide expenses in anticipation of any further reductions made necessary by additional State takes or unanticipated reductions in economically sensitive revenues such as Sales Tax or Transient Occupancy Tax. These reduction proposals have been developed with the same strategies used to arrive at the FY 2004/05 Tier I reductions, but to a deeper level.

To date, FY 2003/04 revenue reductions incurred by the Town have not been at the level necessary for departments to formally invoke the Tier II reductions discussed above. The current year state take of Town revenues is approximately \$500,000, the amount assumed by staff in the adopted FY 2003/04 Tier I budget. However, because of the Town's continuing vulnerability from any current year additional state budget crisis impacts and the continuing recession and its impact to local revenues, staff has pro-actively implemented additional savings beyond the Tier I adopted budget reductions totaling approximately \$400,000 for the current year. These savings were obtained by partial implementation of Tier II options, partial FTE reduction opportunities, and continuing selected hiring freezes and their associated salary and benefit savings.

Operational savings in FY 2003/04 can be used to mitigate projected revenue shortfalls in economically sensitive revenues such as Sales Tax, and Transient Occupancy Tax (Hotel Tax) beyond that anticipated for remainder of the fiscal year. Expenditure savings and any excess revenue obtained this fiscal year can also be used as a funding source necessary to bridge the organization to its recommended Tier I and II adopted budget levels in FY 2004/05, which are respectively targeted at a level of approximately six and twelve per cent below the FY 2003/04 adopted budget levels, partially offset by any revenue enhancements that are implemented next year.

PROPOSED BUDGET REDUCTIONS & REVENUE ENHANCEMENTS FY 2004/05

As stated above, the financial projections for next year in Scenario I & II indicated the need for permanent budget reductions or revenue enhancements of approximately six and twelve per cent to align the Town's services with its forecasted ongoing stream of revenues depending upon the Town's local economic fortunes and developments at the state level.

Many of the reductions taken in the past two years have resulted from selected hiring freezes and other operational efficiencies departments have been able to develop. These reductions, though difficult, were achieved with increases in efficiency and productivity by Town staff so that the implementation of these reductions was made fairly seamless to the community in terms of service level impacts. The planning for FY 2004/05 reductions is made more difficult because most of this operational "low hanging fruit" has in large measure been harvested in the \$3 million dollar cost reductions already implemented by the organization over the past three fiscal years.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

February 24, 2004

Staff informed the Town Council in November 2003 that it would immediately begin the analysis and hard work of crafting a comprehensive response to the budget challenges likely to occur in the coming months. In staff's judgment, a prudent course of action was for Town departments to begin developing budget reduction and revenue enhancement proposals sufficient to address a range of forecasted revenue shortfalls in FY 2004/05 of between \$1.5 million (6%) and approximately \$3.0 million (12%). The Tier I proposals before Council total \$2,039,880 (inclusive of \$1,044,672 of proposed revenue enhancements), with 5.6 additional filled and .5 vacant FTE's positions de-funded and \$74,725 of temporary labor costs de-funded. Tier II proposals total an additional \$1,329,284, including an additional 11.07 filled and 5 vacant FTE's de-funded and \$149,880 of temporary labor support costs de-funded.

The Town Manager's office began outreach efforts to communicate the 2004/05 budget challenges shortly after the November session with Town employees, boards and commissions, service clubs and other stakeholders who are associated closely with Town services. Information was provided as to the potential magnitude of the budget challenges and the pro-active steps the Town was taking to meet the challenge. These outreach efforts also included a discussion of potential cost reduction scenarios that may involve reductions in operating hours, reductions in service levels, and workforce reductions.

The overarching principles that guided these proposals were (1) managing in a fiscally responsible manner, (2) preserving valued Town services to the community, and (3) mitigating the impact of reductions to the labor force that provides these services to the Town. With these overarching principles as a basic tenet of management's actions, budget proposals were developed with the criteria first discussed with the Town Council at the November 2003 study session.

Listed below are the criteria staff used in evaluating priorities and service level reductions in meeting the budgetary goals for the coming year. The criteria used by the Town Manager in evaluating the budget reduction proposals brought forward were:

Do these proposals-

- Reflect the Town Council priorities?
- Affect the health and safety of the community? Is there an immediate threat to the community if the service were to be reduced or eliminated? Is there a legal mandate from the State or Federal government to provide this service?
- Reflect community priorities as demonstrated by a large customer base and demand for the service?
- Preserve the value/condition/useful life of a public asset?
- Have dedicated revenue sources or produce revenue on a cost recovery basis?

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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- Is the Town uniquely qualified to provide this service?
- Significantly enhance the quality of life in Los Gatos?
- Enhance productivity and provide strategic support services to the public? (e.g., finance, human resources, legal, etc)?
- Reflect the organization's professional judgment about priority service levels to be provided to the community?

Attachment #2 provides departmental budget reduction and revenue enhancement proposals for Town Council review, feedback and discussion at the study session. It is stressed that the proposals presented at this time are preliminary and will be further developed and refined through Town Council feedback to the Town Manager and continued staff analysis over the next six weeks before they are presented as part of the Town Manager's Proposed Budget for FY 2004/05.

While the matrices provide reduction efforts by department, the Town Manager will approach the final proposed reductions from a service perspective aligned with community priorities as informed by these Council discussions.

Staff would like Town Council's feedback through this study session to use in further developing and refining the Town's Proposed FY 2004/05 Operating Budget due to the Town Council in May 2004. Due to the unknown impacts of the state budget crisis the length of the local revenue downturn, staff anticipates adopting a Tier I and Tier II budget that can be responsive to developments both in locally generated revenues and at the state level as they evolve over the summer months of 2004.

ENVIRONMENTAL ASSESSMENT:

This budget report is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

The Second Quarter Budget Performance Report includes a number of recommended budget adjustments necessary to balance operating revenues with operating expenditures for FY 2003/04. Upon approval of the recommended budget adjustments by Town Council, current projections forecast a small shortfall of operating revenues over operating expenses for the fiscal year ending June 30, 2003 (excluding a one-time use of General Fund reserves for parking to pay for start up costs for the new Parking Enforcement program). As detailed in the report, staff is currently engaged in FY 2004/05 budget development process which incorporates plans for a six and twelve per cent overall expenditure reduction and/or revenue enhancements depending on the actions taken by the State of California to balance its budget deficit.

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MAYOR AND TOWN COUNCIL

SUBJECT: 2003/04 SECOND QUARTER BUDGET PERFORMANCE AND STATUS
REPORT-SIX MONTHS ENDING DECEMBER 31, 2003.

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Attachments:

1. Budget Performance Report for the Three Months Ended December 31, 2003
2. Departmental Budget Reductions/Revenue Enhancement Proposal Matrix



TOWN OF LOS GATOS BUDGET PERFORMANCE REPORT

FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

February 24, 2004

FINANCIAL OVERVIEW-EXECUTIVE SUMMARY

Status of FY 2003/04 Adopted Budget:

As discussed in the First Quarter Budget Performance Report, financial results for the first six months confirm the tentativeness of the recovery in the Town's economically sensitive revenues. Sales Tax collections through December are trending in line with the prior year on a percentage basis, but a recent meeting in early February 2004 with the Town's Sales Tax consultant (MBIA) resulted in staff recommending a reduction of \$150,000 in Sales Tax revenue for this fiscal year. The reduction occurred mainly due to the 10% decline in total sales from the Town's auto dealers in the third quarter of calendar year 2003. The auto dealers constitute approximately 30% of the Town's total Sales Tax. In the case of Transient Occupancy Tax, second quarter collections are trending lower than second quarter collections received in the prior year with a recommended \$70,000 dollar reduction from the adopted budget estimate. Interest income is also trending lower than estimated and is recommended for a \$137,100 dollar reduction due mainly to historically low interest rates available in the market for investment. Additionally, vitally important Intergovernmental revenues received from the State of California such as Motor Vehicle License fees (Car Tax) representing a funding source of approximately \$1,632,000 or 7% of the Town's operating revenue continue to be threatened by actions taken legislatively in Sacramento in its budget crisis. Early in his administration, Governor Schwarzenegger rescinded the trigger of the Car Tax and reduced the original amount of the tax by two-thirds. With record deficits now being projected for the State, this action will make the State's ability to provide its promised "backfill" of revenues even more challenging. The Governor's January 2004 budget called for protection of this vital source of revenue to the Town, but its continued receipt is certainly in jeopardy with the State dealing with a reported record \$25 billion dollar deficit.

It should be noted that revenues for FY 2003/04 included approximately \$650,000 of transfers to the Town's General Fund from Internal Service Fund excess balances that the Town is using to supplement revenues during the current downturn in the economy. Unfortunately, these transfers cannot be sustained on an ongoing basis. The Town's five-year plan assumes decreasing amounts of this revenue available through FY 2008/09. If these transfers were reduced, operating revenues would be reduced accordingly. Scheduled labor cost increases and other operating expenditure increases forecasted for FY 2004/05 and future fiscal years will continue to require an improvement in the Town's economically sensitive revenues to offset the cost increases likely to occur. The FY 2004/05 expenditure reduction and revenue enhancement efforts now being developed and discussed with the Town Council will aid in balancing ongoing revenues with the Town's organizational structure and its accompanying cost of providing services and potentially provide discretionary funding for other initiatives such as funding future capital improvements.

GENERAL FUND-KEY REVENUE ANALYSIS FY 2003/04

The following presentation provides a recap of significant General Fund revenue sources as of the second quarter ending December 31, 2003. Staff is monitoring each revenue source closely, and at this time is most concerned about three revenue sources, Sales Tax, Transient Occupancy Tax, and Interest Income which are recommended to be adjusted lower for the fiscal year. Property Tax appears to be tracking in line with estimates, but its growth also appears to be slowing from the 6-8% growth rate experienced in recent years, another reflection of the recession's impact on locally generated revenues.

◆ *Sales Tax Revenue* ◆

Description

The State Board of Equalization allocates one (1.0) cent of the eight (8.25) cents of local sales tax collected by merchants on retail sales and taxable services transacted within the Town of Los Gatos. Revenues are remitted to the Town on a monthly basis. This revenue is placed in the General Fund for unrestricted uses.

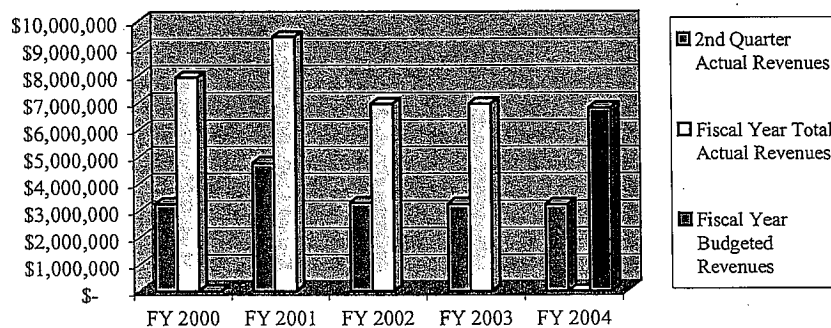
Analysis

The Silicon Valley/San Jose Business Journal reported on January 20, 2004 that according to a small survey of chief operating officers of companies headquartered in the region, the new year brings with it an expectation for improved economics for Silicon Valley and the Bay Area.

Nearly all (95%) of the 32 COOs of large- and medium-companies participating in the survey are expecting 2004's economic trends in Northern California to gradually improve. While the longer term outlook for the region looks promising, local analysis implies a less optimistic outlook for the remainder of the fiscal year. Lower than anticipated auto and retail sales in the second quarter suggest a moderate reduction in projected Sales Tax revenue is needed to bring it in line with currently anticipated revenues.

Staff is still encouraged that one local internet based business continues to gain momentum and its growth is reflected in its contribution to the Town's sales tax collections.

**Quarterly and Annual Revenues
5-Year History**



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
2nd Quarter Actual Revenues	\$ 3,245,945	\$ 4,759,276	\$ 3,288,885	\$ 3,237,902	\$ 3,217,070
Fiscal Year Total Actual Revenues	\$ 7,932,104	\$ 9,429,256	\$ 6,953,880	\$ 6,953,880	
Fiscal Year Budgeted Revenues					\$ 6,800,000
2nd Quarter Percent of Total	40.92%	50.47%	47.30%	46.56%	47.31%
Recommended Budget Revision	Reduce \$150,000				

◆ *Property Tax Revenue* ◆

Description

Property Tax is one of the Town's largest revenue sources, accounting for 22% of the Town's budgeted General Fund revenue for FY 2003/04.

Property Tax distributions are largely received in the third and fourth quarters of the fiscal year, meaning revenue receipts are not reflected proportionately in the chart below, by quarter.

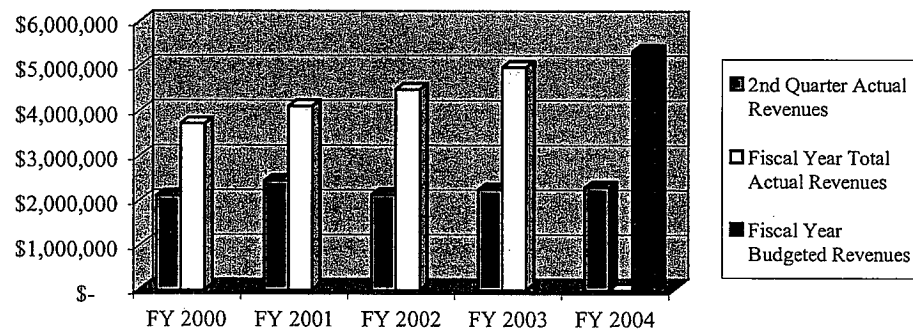
Property Tax is levied at one percent of the assessed value of the property, of which the Town receives approximately thirteen cents on each dollar paid to the County Assessor's Office. The assessed value of real property appraised by the County Assessor is levied at the 1975/76 assessment role value, adjusted by a two percent inflation factor thereafter. When property changes hands or new construction occurs, property is reassessed to its current market value.

Real property values critically impact revenues. With the passage of Proposition 13, voters in California limited the tax rate that can be imposed by the Town on property. With this limitation on rates, the higher the aggregate property value, the higher the revenue generated.

Analysis

According to the County Assessor's FY2003/04 Annual Report, Los Gatos experienced an overall 6% growth increase in assessed value in FY 2002/03. While this favorable trend is offset by a decrease in commercial property values which declined last year, the Property Tax collections at the end of the second quarter reflect a continued growth increase in assessed property taxes in line with forecast revenues. This results in a recommendation of "no change" to budgeted revenues.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 2,110,478	\$ 2,450,173	\$ 2,127,714	\$ 2,246,511	\$ 2,297,420
Fiscal Year Total Actual Revenues	\$ 3,724,022	\$ 4,114,196	\$ 4,483,521	\$ 4,977,119	
Fiscal Year Budgeted Revenues					\$ 5,338,006
2nd Quarter Percent of Total	56.67%	59.55%	47.46%	45.14%	43.04%

Recommended Budget Revision

No Change

◆ **Motor Vehicle In-Lieu Fee (Car Tax)** ◆

Description

The State of California imposes an annual Motor Vehicle License Fee (MVLFF) on the ownership of a registered motor vehicle, based on the vehicle's sales price. This fee is "in-lieu" of a personal property tax on the vehicles. For those vehicles brought into California from out of state, the fee is based on the vehicle's market value at the time of California registration.

After the Department of Motor Vehicles collects this fee, the State remits the funds to the cities and counties on a monthly basis. The State allocates the MVLFF revenue, less a small allocation for administrative costs, by way of a complex formula involving population and property tax revenues.

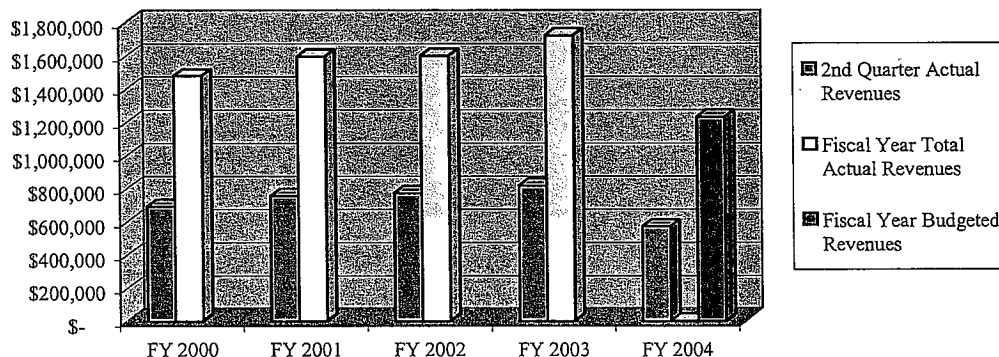
The Town has pledged this revenue as collateral for repayment of the 1992 Certificates of Participation.

Analysis

In 1998, the legislature passed and Governor Wilson signed a 25% permanent reduction in the MVLFF effective January 1, 1999. Effective January 2000, the MVLFF was further reduced to a total of 35% of the full rate. The law requires the state general fund to replace any lost revenues to cities and counties. The MVLFF was reinstated to 1998 levels on June 19, 2003

On December 17, 2003, Governor Schwarzenegger issued an executive order rescinding the restoration of the MVLFF and appropriating \$2.65 billion to provide backfill funding for cities and counties. Under current law, losses to cities and counties due to the backfill gap are to be paid by August 2006. The Town will continue its efforts to protect this vital funding source.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 692,974	\$ 757,519	\$ 773,837	\$ 815,923	\$ 572,331
Fiscal Year Total Actual Revenues	\$ 1,478,990	\$ 1,597,247	\$ 1,600,588	\$ 1,722,801	
Fiscal Year Budgeted Revenues					\$ 1,232,000
2nd Quarter Revenue Percent of Total	46.9%	47.4%	48.3%	47.4%	46.5%
Recommended Budget Revision					No Change

◆ *Transient Occupancy Tax Revenue* ◆

Description

The Town of Los Gatos levies a 10 per cent Transient Occupancy Tax on all hotel/motel rooms within Town limits to help fund Town services provided to transient lodgers.

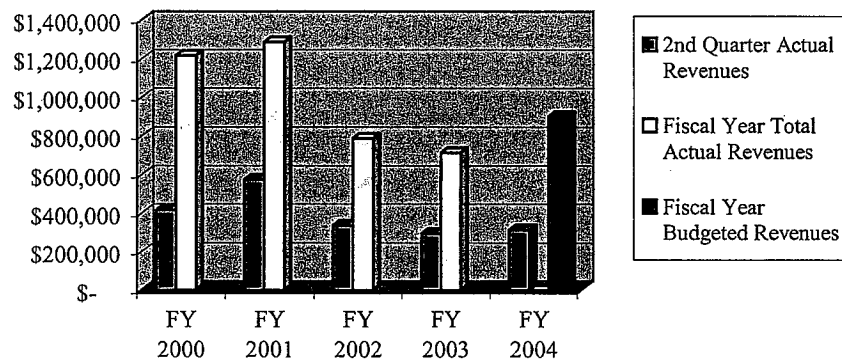
Analysis

The Transient Occupancy Revenues received in the second quarter of the fiscal year reflects a slight increase in occupancy rates for nearly all Town hotels and motels. Smith Travel Research reported on January 24, 2004, that U.S. hotels showed a 3.0 percent rise in room revenue, the chief indicator of lodging industry health. Occupancy rose 2.3 percent

from a year earlier and the average daily rate for rooms rose 0.6 percent, backing general industry predictions that travel is increasing but not fast enough to let hotels hike room prices.

Business Week also reported this month that while the travel industry is recovering, competition is still too intense for hotels to raise prices to previous levels. This continued lag in room rates is reflected through the minimal increase in the Town's Occupancy Tax receipts. With revenues closely following last year's level of activity, it is recommended that budgeted revenues be reduced by \$70,000 at this time.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 415,824	\$ 572,874	\$ 334,858	\$ 293,570	\$ 312,998
Fiscal Year Total Actual Revenues	\$ 1,215,702	\$ 1,286,276	\$ 788,408	\$ 713,064	
Fiscal Year Budgeted Revenues					\$ 900,000
2nd Quarter Percent of Total	34.20%	44.54%	42.47%	41.17%	34.78%

Recommended Budget Revisions:

Reduce \$70,000

◆ *Interest Income Revenue* ◆

Description

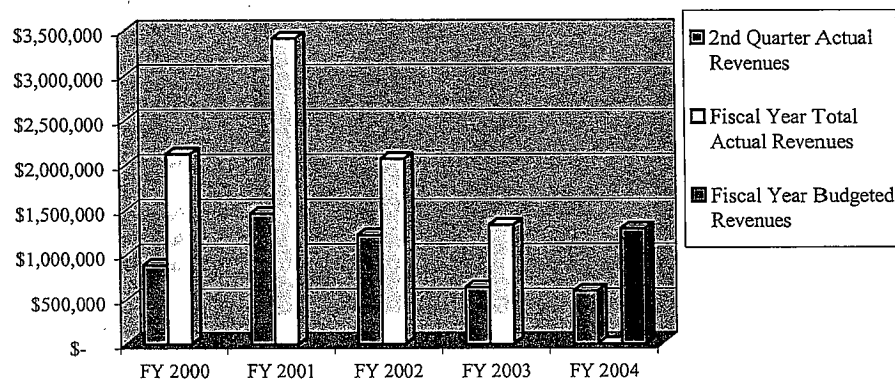
The Town earns Interest Income revenue by investing cash not immediately required for daily operations in a number of money market instruments. These investments are made within parameters as stated in the Investment Policy approved by the Town Council. The Town's goal is to achieve a competitive rate of return while protecting the safety of those funds.

Interest Income revenue for the Town is primarily dependent upon two factors: the cash balance in the Town's investment portfolio, and the yield on those funds.

Analysis

Interest income has been impacted negatively by the historically low interest rate environment seen in recent years. For benchmark purposes, the average yield, recently quoted on January 29, 2004, on a five-year Treasury Bond is 3.18%. The Town's interest earnings have been further impacted by a decreasing cash balance due to the Town-wide Capital Improvement Program emphasizing street reconstruction in recent years. FY 2003/04 interest earnings to date reflects this significant continued downtrend prompting a recommended reduction of \$137,100 in budgeted revenues.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 882,081	\$ 1,461,312	\$ 1,220,984	\$ 638,036	\$ 594,001
Fiscal Year Total Actual Revenues	\$ 2,126,766	\$ 3,415,358	\$ 2,071,129	\$ 1,336,711	
Fiscal Year Budgeted Revenues					\$ 1,290,100
2nd Quarter Revenue Percent of Total	41.5%	42.8%	59.0%	47.7%	46.0%
Recommended Budget Revision	Reduce \$ 137,100				

◆ **Business License Tax Revenue** ◆

Description

The Town of Los Gatos requires businesses to obtain a business license if a business is located within Town limits, or if an agent of a business conducts operations within Town limits.

The Business License Tax is based on the type of business activity. Activities such as retail sales, wholesale, and manufacturing are based on estimated gross receipts, on a sliding scale. Other Business License Tax revenues are based on flat fees as set forth in the Town Code.

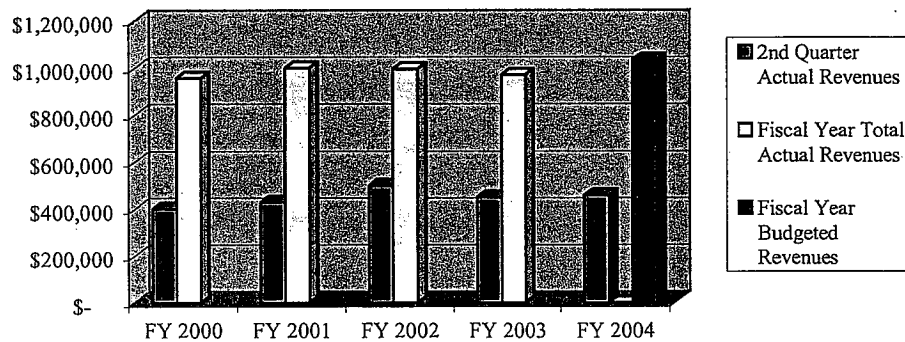
Annual business license renewals are due and payable in advance on January 2nd of each year. New business license applications for flat-fee based businesses are pro-rated by quarter, from the date of application to the end of the year.

Analysis

The Business License Tax revenue received in the first quarter is primarily comprised of new Business License fees. Second quarter collections were slightly ahead of the prior year, an encouraging sign of slow recovery.

During preparation of the FY 2003/04 budget, staff anticipated the softening economy would affect Business Tax fees based on gross receipts. These revenues comprise approximately 40% of the Business License fees while flat fees make up the other 60% of revenue. Budgeted revenues were therefore established at a small amount above actual amounts received in FY 2002/03.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 400,413	\$ 428,772	\$ 499,446	\$ 450,284	\$ 458,003
Fiscal Year Total Actual Revenues	\$ 956,710	\$ 1,000,281	\$ 995,699	\$ 970,502	
Fiscal Year Budgeted Revenues					\$ 1,035,000
2nd Quarter Revenue Percent of Total	41.85%	42.87%	50.16%	46.40%	44.25%

Recommended Budget Revision	No Change
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◆ *Franchise Fee* ◆Description

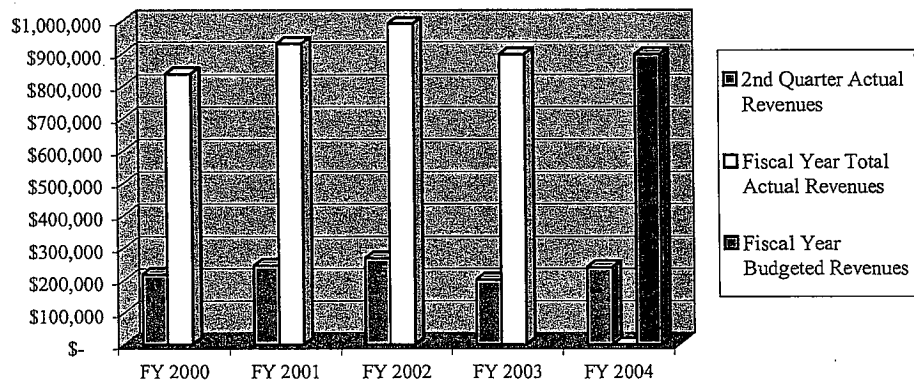
Franchise Fees are collected by the Town for the privilege of operating a utility service within Town limits, and in lieu of a business license.

Franchise Fees are currently received from Comcast for cable television services, PG&E for gas and electric service, and Green Valley for solid waste collection services.

Analysis

FY2003/04 Franchise Fee revenues are trending at budget estimates.

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2nd Quarter Actual Revenues	\$ 217,466	\$ 245,116	\$ 267,296	\$ 200,819	\$ 239,295
Fiscal Year Total Actual Revenues	\$ 836,489	\$ 929,865	\$ 990,861	\$ 897,157	
Fiscal Year Budgeted Revenues					\$ 896,400
2nd Quarter Revenue Percent of Total	26.00%	26.36%	26.98%	22.38%	26.70%

<u>Recommended Budget Revision</u>	<u>No Change</u>
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RECOMMENDED BUDGET ADJUSTMENTS

FY 2003/04 Estimated Revenues

Budget adjustments are recommended for the following revenues:

<u>Revenue</u>	<u>FY 2003/04 Adopted</u>	<u>Recommended Adjustment</u>	<u>FY 2003/04 Revised</u>
Sales Tax	\$ 6,800,000	\$ (150,000)	\$ 6,950,000
Occupancy Tax	\$ 900,000	\$ (70,000)	\$ 970,000
Interest Income	\$ 1,290,100	\$ (137,100)	\$ 1,427,200

The revenue reductions listed above reflect declines in economically sensitive revenues in three major Town revenues, Sales Tax, Hotel Occupancy Tax, and Interest Income as discussed previously.

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

As stated earlier in this report, the attached *Schedule of FY 03/04 General Fund Operating Revenues vs. Operating Expenditures* presents budget to actual data for the second quarter and comparison information from the prior year. In the last column, the Finance Department projects final balances for the fiscal year based upon the trends observed through the second quarter.

All Other Funds

Guide to Presentation:

Each of the follow presentations groups financial summaries by fund type - the types being Special Revenue Funds, Capital Projects Funds, Internal Service Funds, and Redevelopment Agency Funds. In each of the following projections a similar format is presented. For illustration purposes, the following annotated presentation of the Solid Waste Fund provides insight on how each of the following presentations can be read and understood by the reviewer:

Solid Waste Fund

Beginning Fund Balance	\$ 432,528	Audited Fund Balance July 1, 2002
Budgeted Revenues	169,400	Total Budgeted revenues for the FY 2002/03
Actual Revenues - 2nd quarter	45,028	Actual revenues collected through December 31, 2002
Budgeted Expenditures	193,100	Total Budgeted expenditures for all accounts FY 2002/03
Total Actual Expenditures - 2nd Quarter	92,132	Total Actual expenditures by fund through December 31, 2002 Beginning Fund Balance plus actual revenues less total expenditures 2nd Quarter
2nd Quarter Ending Fund Balance	\$ 385,424	

Special Revenue Fund – Special Revenue Funds, which account for the proceeds derived from specific revenue sources that are legally restricted to special purposes include the Town's Parking Fund, Solid Waste Fund, Community Development Block Grant Fund, Non Point Source Fund, Sewer Maintenance Fund, Landscaping and Lighting District Funds, and the Operating Grants Fund.

Of special note here is the Parking Fund, a new program and fund which was created to account for parking enforcement revenues and expenditures to provide specific data regarding that activity. As previously discussed in the FY 2003/04 adopted budget, citation revenue provides only partial funding for this enforcement program. The FY 2003/04 budget anticipated a General Fund subsidy of \$199,580 that would be required to balance the cost of the program with the revenues collected. As discussed in the adopted budget, FY 2003/04 is the second year of the start-up phase of the parking program and so the need for General Fund subsidies continues. Staff is continuing to evaluate this area, as any shortfall in this fund must be covered at year-end with a transfer from the Town's General Fund.

SPECIAL REVENUE FUNDS FINANCIAL PROJECTIONS

	Parking Fund	Solid Waste	CDBG	Non Point	Sewer Maint.	LID's	Genl Fund Op Grants
Beginning Fund Balance	-	352,645	1,174,793	214,893	-	92,266	95,608
Revenue from Operations:							
Budget	872,980	147,155	331,800	254,340	646,690	39,940	14,750
Revenue Actuals - 2nd Quarter	228,505	45,115	11,002	159,688	646,690	38,320	-
Expenditures:							
Budget-All Expenditures	872,980	214,305	383,800	254,340	646,690	52,531	-
Expenditures Actuals - 2nd Qtr by Category							
Salary Expense	189,239	23,174	9,139	53,025	140,648	-	6,921
Fringe Benefits	59,713	3,942	1,267	15,114	37,354	-	1,586
Materials & Supplies	45,537	36,573	494	1,289	11,007	21,762	(1,293)
Grants	-	-	269,127	-	-	-	-
Capital Purchases	-	-	-	-	-	-	-
Interest	-	-	2,850	-	-	-	-
Internal Service	42,376	1,630	705	21,435	42,033	-	730
Transfers	-	7,330	33,147	37,500	95,400	6,418	-
Total Expenditure Actuals 2nd Qtr.	336,865	72,650	316,727	128,362	326,441	28,179	7,944
2nd Quarter Ending Fund Balance	(108,360)	325,110	869,068	246,218	320,249	102,407	87,664

Town of Los Gatos
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
For the period ended December 31, 2003

	FY 02/03 Final Balance	FY 02/03 Adjusted Budget	FY 02/03 2nd Qtr Actuals	FY 02/03 %	FY 03/04 Adopted Budget	FY 03/04 2nd Qtr Actuals	FY 03/04 %	FY 03/04 Finance Projection
Revenues								
General Property Tax	\$ 4,977,119	\$ 5,106,000	\$ 2,246,511	44%	\$ 5,338,006	\$ 2,297,420	43%	\$ 5,338,006
Sales & Use Tax	6,928,817	7,000,000	3,237,902	46%	6,800,000	3,217,070	47%	6,650,000
Franchise Fees	897,158	957,000	200,819	21%	896,400	239,295	27%	896,400
Transient Occ Tax	713,064	800,000	293,570	37%	900,000	312,998	35%	830,000
Business License Tax	970,554	1,000,000	450,284	45%	1,035,000	458,003	44%	1,035,000
Licenses & Permits	975,701	761,500	504,140	66%	802,000	603,823	75%	802,000
Motor Vehicle In Lieu	1,722,801	1,632,000	815,923	50%	1,232,000	572,332	46%	1,232,000
Intergovernmental	1,463,388	1,212,700	705,980	58%	1,768,804	728,945	41%	1,768,804
Charges for Services	2,209,851	2,099,975	1,263,196	60%	2,370,536	1,434,071	60%	2,370,536
Fines & Forfeitures	187,117	78,500	78,044	99%	192,000	66,920	35%	192,000
Interest	1,461,678	1,303,850	638,036	49%	1,290,100	594,001	46%	1,153,000
GASB investment to market adj	(124,967)	-	-			-		
Miscellaneous/Other	480,762	266,857	253,622	95%	133,000	72,711	55%	133,000
Authorized Use of Reserves (Downtown Parking Pgm)								
Fund Transfers	1,105,853	1,088,700	1,078,544	99%	968,820	950,325	98%	968,820
Total Revenues	\$ 23,968,895	\$ 23,307,082	\$ 11,766,570	50%	\$ 23,726,666	\$ 11,547,913	49%	\$ 23,369,566
Expenditures								
Mayor & Council	128,859	150,400	63,104	42%	143,700	65,159	45%	140,826
Clerks	368,118	359,396	176,877	49%	363,160	161,025	44%	355,897
Attorney	215,327	236,470	95,456	40%	230,060	98,334	43%	225,459
Treasurer	52,169	59,502	24,489	41%	56,560	33,238	59%	55,429
Manager	1,879,400	2,041,193	933,092	46%	1,911,740	870,725	46%	1,873,505
Comm Development	2,269,876	2,466,853	1,070,797	43%	2,443,350	1,040,228	43%	2,394,483
Parks & Public Works	4,829,722	4,749,682	2,379,151	50%	4,893,910	2,242,462	46%	4,844,971
Police	9,467,902	9,355,104	4,716,750	50%	9,029,560	4,391,079	49%	8,939,264
Community Services	950,298	983,604	378,366	38%	957,550	370,763	39%	938,399
Library	1,811,866	1,800,747	849,663	47%	1,775,265	914,774	52%	1,739,760
Total Expenditures	\$ 21,973,536	\$ 22,202,951	\$ 10,687,744	48%	\$ 21,804,855	\$ 10,187,787	47%	\$ 21,507,993
Non-Dept Expenditures (Uses)								
General Government	1,412,981	1,360,093	406,636	30%	2,053,928	501,284	24%	2,012,849
Total Non-Dept Expenses	\$ 1,412,981	\$ 1,360,093	\$ 406,636	30%	\$ 2,053,928	\$ 501,284	24%	\$ 2,012,849
Total Operating Expenditures	\$ 23,386,518	\$ 23,563,044	\$ 11,094,380	47%	\$ 23,858,783	\$ 10,689,071	45%	\$ 23,520,842
Net Operating Revenues	\$ 582,377	\$ (255,962)	\$ 672,190		\$ (132,117)	\$ 858,843	N/A	\$ (151,276)
Budgeted Beginning Fund Balance Revenue								
Budgeted Use of Reserves for Parking Management	206,516	52,150	52,150		199,580	-		199,580
Budgeted Use of Reserves for Capital Projects	75,000	207,857	207,857		75,000	-		75,000
Total Budgeted Use of Reserves	281,516	260,007	260,007		274,580	-		274,580
Total Reserves & Net Revenues Available for Capital Projects	657,377	(48,105)	880,047		(57,117)	858,843		(76,276)
Operating Transfers-Parking Mgmt Program								
	206,516	52,150	52,150		199,580			199,580
Capital Transfers-Budgeted Per 5 Yr CIP	75,000	207,857	207,857	100%	75,000	0	0%	75,000

Capital Projects Funds – Capital Projects Funds are utilized to account for resources used for acquisition and construction of capital facilities by the Town. Funds included in this category are the GFAR Fund (General Fund Appropriated Reserve), Traffic Mitigation Fees Fund, Grant Funded CIP's Fund, Storm Drains Fund, Utility Undergrounding Fund, and the Gas Tax Fund. Capital Project Funds are tracking in accordance with the FY 2003/04 adopted budget. Staff is recommending no changes at this time.

In developing the FY 03/04 capital program, staff reviewed scheduled projects for potential strategic slowdowns of expenditure activity. This slowdown will aid cash balances available for General Fund investment earnings, in light of the aggressive capital-spending plan over the past two years. If operating revenues will support it, staff still intends to maintain the General Fund's current year \$75,000 commitment to the Town's Capital Improvement Plan.

The Grant Funded CIP fund sometimes displays a deficit balance because this grant fund expends Town dollars first, then provides documentation of these expenditures to the State of California or other granting agencies and is reimbursed for those costs, which eventually should result with the fund "breaking even" or a zero fund balance (dollars expended equal dollars received back in grant reimbursements).

CAPITAL PROJECT FUNDS FINANCIAL PROJECTIONS

	GFAR Fund	Traffic Mitigation	Grant Funded CIP's	Storm Drains	Utility Under.	Gas Tax
Beginning Fund Balance	6,184,611	102,070	88,240	762,754	1,769,684	567,994
Revenue from Operations						
Budget	144,000	-	637,165	141,800	104,900	547,310
Revenue Actuals - 2nd Quarter	326,167	-	195,535	85,381	68,860	292,078
Expenditures						
Budget-All Expenditures	3,767,402	50,000	1,191,681	-	-	639,499
Expenditures Actuals - 2nd Qtr by Category						
Salaries	4,220					
General Supplies	-	-	-	-	-	-
Program Costs/Capital Purchases	10,717					
Engineering Design	36,235	-	-	-	-	-
Construction Engineering	692,682	-	122,472	-	-	376,142
Construction	575,979	-	33,147	-	-	13,822
Transfers	-	47,678	-	-	-	106,000
Total Expenditure Actuals 2nd Qtr.	1,319,833	47,678	155,619	-	-	495,965
2nd Quarter Ending Fund Balance	5,190,945	54,392	128,157	848,136	1,838,544	364,107

Internal Service Funds - Internal Service Funds are used to finance and account for special activities and services performed by a designated Town department for other departments on a cost reimbursement basis. Included in this fund type are the Equipment Replacement Fund, Worker's Compensation Fund, General Liability Self Insurance Fund, Stores Fund, Management Information Systems Fund, Vehicle Maintenance Fund, and the Building Maintenance Fund.

Internal Service Funds are tracking in accordance with the adopted FY 2003/04 adopted budget. No revision to adopted revenues or expenditures is required at this time. Staff believes there is still some potential for further operating transfers in future years from these funds as excess balances exist in amounts needed for funding in a number of these funds.

INTERNAL SERVICE FUNDS FINANCIAL PROJECTIONS

	Equipment Replacement	Workers Comp.	Self Insurance	Stores	Mmgt Info Systems	Vehicle Maint.	Building Maint.
Beginning Fund Balance	3,204,771	1,997,543	2,130,705	194,752	1,895,801	67,593	492,962
Revenue from Operations							
Budget	478,930	516,500	623,900	88,000	831,300	515,090	1,088,380
Revenue Actuals - 2nd Quarter	239,450	250,028	319,512	49,273	432,121	256,498	562,012
Expenditures							
Budget-All Expenditures	453,830	656,565	714,250	88,000	1,208,800	515,080	1,088,390
Expenditures Actuals - 2nd Qtr by Category							
Salary Expense	-	14,668	37,932	-	116,099	77,436	22,662
Fringe Benefits	-	3,188	8,093	-	26,036	19,672	6,298
Materials & Supplies	-	307,381	445,461	31,528	88,288	89,143	309,463
Program Costs/Capital Purchases	19,888	-	-	-	-	-	-
Transfers	400,000	125,000	125,000	-	-	-	-
Total Expenditure Actuals 2nd Qtr.	419,888	450,237	616,485	31,528	230,424	186,251	338,422
2nd Quarter Ending Fund Balance	3,024,333	1,797,335	1,833,732	212,497	2,097,498	137,840	716,552

Trust and Agency Funds - Town Trust and Agency Funds have fund balances as of June 30, 2003 of \$284,396 for Parking District #88 and \$193,396 in the Library Trust Funds. No budget revisions are contemplated at this time for these funds.

Redevelopment Agency - The Agency's FY 2003/04 and FY 2003-2008 Capital Improvement Plan adopted budgets are incorporated into the Redevelopment Agency's financial statements and year-to-date actuals as presented below. The Capital Projects Fund balances include approximately \$2.3 million dollars of remaining unexpended funds from the Agency's \$10.7 million dollar 2002 COP issue that was finalized in July 2002. The true interest cost to the Agency for that issue was at an average interest rate of 4.55 per cent, providing very favorable financing for Agency capital projects. The proceeds of the bond issue are being used and appropriated for their intended purpose, eligible capital projects in the downtown project area such as the Town Plaza Reconstruction Project, Downtown Street Repair and Streetscape Projects and Downtown Parking Improvements.

Since 1992 redevelopment agencies across the state have been required to make Educational Revenue Augmentation Fund (ERAF) payments to the State. Because of the State budget deficit, the ERAF requirements were increased for FY 2003/04. The Agency's ERAF payment for this year is \$209,975 compared to \$104,597 due to the State the prior year. The ERAF payment will be made from fund balance.

Once the State budget deficit was announced for FY 2002/03, a preliminary proposal from the Governor was to take the unencumbered redevelopment agency affordable housing funds. The proposal did not go forward and for this year was off the table. This is not to say that the funds are safe in the long term, but they are preserved for the current fiscal year. Staff will continue to monitor threats to Housing Fund dollars very closely to protect them as a valuable resource for the Town's affordable housing programs.

For next fiscal year, FY 2004/05 and beyond, it is believed the State will always consider increasing the ERAF payments from redevelopment agencies. Based on preliminary information, the estimated

payments from the Los Gatos Redevelopment Agency could range between \$200,000 and \$685,000 annually. It is anticipated that the State may allow redevelopment agencies to borrow at least a portion of the payment from their housing funds in order to help make the payment.

It is important that the Town continue its lobbying efforts to prevent the legislature from further State takes from Redevelopment Agency Tax Increment. It is essential to preserve the Agency's tax increment revenue as any take from this source will reduce the annual revenue stream. If a larger revenue take is enacted, the lowered revenue stream will reduce the total amount of bonds the Agency can issue in the future.

REDEVELOPMENT AGENCY FINANCIAL PROJECTIONS

	Capital Projects	Debt Service	Low & Moderate	Total
Beginning Fund Balance	6,207,412	3,550,572	2,651,933	12,409,917
Revenue from Operations				
Budget	147,885	4,272,658	858,070	5,278,613
Revenue Actuals - 2nd Quarter	64,524	1,335,358	368,135	1,768,017
All Expenditures				
Budget-All Expenditures	5,141,698	3,435,785	247,125	8,824,608
Expenditures Actuals - 2nd Qtr by Category				
Salary Expense	138,402	-	11,324	149,726
Fringe Benefits	18,403	-	2,281	20,684
Materials & Supplies	337,628	9,556	185,725	532,909
Grants & Awards	-	-	(126,801)	(126,801)
Internal Services	-	-	-	-
Interest	-	281,752	-	281,752
Debt Service	-	290,000	-	290,000
Lease Payment	-	125,898	-	125,898
Capital Improvements	1,769,856	-	-	1,769,856
Total Expenditure Actuals 2nd Qtr.	2,264,289	707,205	72,529	3,044,024
2nd Quarter Ending Fund Balance	4,007,646	4,178,724	2,947,539	11,133,910

CONCLUSION

Second Quarter 2003/04 results indicate some adjustments downward were needed in General Fund revenues totaling approximately \$360,000. Expenditure savings of approximately \$400,000 are anticipated that will likely provide a balance to the revenue declines forecasted at this time. The Town continues to possess strong reserve fund balances in the General Fund with \$10.9 million in designated reserves, including the Reserve for Economic Uncertainty which remains intact in the amount of \$3,678,000.

The Town's overall financial strength enables it to effectively manage the current economic downturn and its associated revenue reductions through careful monitoring of revenue and expenditure trends and acting pro-actively before a financial crisis presses upon the Town. Staff continues to closely monitor all current year revenue and expenditure activity, mindful of the necessity to balance operating revenues with operating expenditures. Now more than ever, the Town must also be aware of the need to develop appropriate revenue sources for on-going operating and capital needs of the community for the future.

TOWN COUNCIL

PROGRAM PURPOSE

The Town Council is the legislative body that represents the Town of Los Gatos. The Town Council is comprised of five (5) Council members, with the Mayor and Vice Mayor annually appointed by Council members each November. The Town Council operates under a Council/Manager form of government that combines the policy leadership of elected officials in the form of a Town Council, with the managerial expertise of an appointed Town Manager. With the assistance of Town staff, the Mayor and Town Council identify and implement appropriate policy, program and budget priorities for the Town.

As an elective Legislature, the Town of Los Gatos Town Council's priorities reflect, through its regulatory and budgetary enactments, the aspirations of the citizens of Los Gatos. These priorities are implicit in the programs adopted and set forth in the annual operating budget for the Town of Los Gatos.

PRELIMINARY ADJUSTMENT STRATEGY

Recognizing the Town's fiscal situation, the FY 2004/05 preliminary proposed budget adjustments for Town Council reflect a variety of expenditure reductions. When developing the reduction proposals, consideration was given to the capacity of the existing budget and minimizing the level of impact on internal processes and to the public. While the Tier I proposal does reflect moderate impacts, the Tier II proposal involves a reduction of .10 FTE administrative support to the Council. However, it should be noted that reductions to clerical/administrative FTEs in the Town Offices and Town Manager's Department would be implemented in coordination with an evaluation to maximize resources and efficiencies.

TOWN COUNCIL

SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
	-	-	-	-
	-	-	-	-
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Salaries and Benefits	87,558	125,100	102,612	112,100
Operating Expenditures	25,812	26,500	16,923	22,600
Fixed Assets	-	-	-	-
Internal Service Charges	7,942	8,400	9,324	9,000
TOTAL EXPENDITURES	\$ 121,312	\$ 160,000	\$ 128,859	\$ 143,700

TOWN COUNCIL PROGRAM STAFFING

Full Time Equivalents (FTE)

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Town Staff				
Councilmembers	5.00	5.00	5.00	5.00
Administrative Analyst	0.10	0.10	0.10	0.10
Secretary to the Town Manager	0.50	0.50	0.50	0.50
Office Clerk	0.25	0.25	0.25	0.25
TOTAL PROGRAM FTE's	5.85	5.85	5.85	5.85

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Temporary Staff Hours				
Intern	-	-	-	500
TOTAL ANNUAL HOURS	-	-	-	500

KEY PROGRAM SERVICES

TOWN OFFICES

Town Council

- Represents the residents of Los Gatos
- Formulates and enacts public policy in response to current and anticipated needs within political, administrative, and fiscal constraints
- Provides community leadership as the legislative and policy-making body of the municipal government
- Oversees Town boards and commissions
- Represents the Town of Los Gatos through coordination and collaboration with other government agencies

**OFFICE OF THE TOWN COUNCIL
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

\$ 143,700
\$ 8,600
\$ 12,906

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
1.	<i>Reduce temporary employee budget</i>	\$2,706	\$2,706	<i>It is anticipated that defunding the temporary employee budget will have a minimal to moderate impact on service levels to the Town Council. Impacts could include the slowing of Council-related clerical and administrative activities, including the Council agenda packet process or response to Council and community requests. In the event supplemental clerical support is required, alternative resources within the organization will be identified.</i>
2.	<i>Reduce operating expenditures</i>	\$1600	\$1,600	<i>It is anticipated that the proposed expenditure reductions in travel/training and office supplies will have a minimal service impact.</i>
3.	<i>Defund Office Clerk position – from 1.0 FTE to .75 FTE.</i>	\$4,294		<i>Although the workweek would be reduced for this position, the staffing distribution for the Council would remain at existing levels - .25 FTE.</i>

Proposals	Proposed Adjustments	Tier I	Tier II	Service Impacts
4.	<i>Defund Office Clerk position - from 1.0 FTE to .50 FTE.</i>		\$8,600	<i>This proposed workweek reduction would have a significant impact on Council clerical and administrative support. The existing staffing distribution for the Council's Office would be reduced from .25 FTE to .15 FTE. This proposed reduction could impact the Council agenda packet distribution process and other Council-related activities. However, if additional support is warranted, resources within the organization would have to be reallocated.</i>
	TOTAL	\$8,600	\$12,906	

TOWN CLERK

PROGRAM PURPOSE

The Town Clerk is the elected custodian of Town records. This position functions jointly with the Clerk Administrator position to oversee the professional administrative duties required of this responsibility. The purpose of the Town Clerk Administration program is to serve as the official custodian of the legislative history for the Town of Los Gatos. In this capacity, the Office of the Town Clerk preserves, maintains, and protects Town records to accurately reflect Town actions, policies, and practices. Other core services include notification of public meetings and hearings and the provision of passport services.

PRELIMINARY ADJUSTMENT STRATEGY

The FY 2004/05 proposed budget adjustments represent reductions in salary and benefits and operating expenditures. When developing the proposals, opportunities having the least amount of community impact were given priority. As a result, Tier I and Tier II propose to defund 1.0 FTE of a vacant position. Other areas yet to be explored include future potential vacancies which could provide additional budget savings and departmental restructuring opportunities.

Proposed clerical/administrative FTE reductions in the Town Offices and Town Manager's Department would be implemented in coordination with an evaluation of restructuring opportunities to maximize resources and efficiencies.

∞ TOWN CLERK ∞

SUMMARY OF REVENUES AND EXPENDITURES

	<u>01/02</u>	<u>02/03</u>	<u>02/03</u>	<u>03/04</u>
	<u>Actuals</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
REVENUES				
<i>Licenses and Permits</i>	689	-	-	-
<i>Service Charges</i>	45,074	80,000	71,953	60,000
<i>Other Sources</i>	18	-	-	-
TOTAL REVENUES	\$ 45,781	\$ 80,000	\$ 71,953	\$ 60,000
EXPENDITURES				
<i>Salaries and Benefits</i>	248,755	297,100	277,150	284,600
<i>Operating Expenditures</i>	45,308	37,000	42,260	32,310
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	43,633	49,300	48,708	46,250
TOTAL EXPENDITURES	\$ 337,696	\$ 383,400	\$ 368,118	\$ 363,160

TOWN CLERK PROGRAM STAFFING

Full Time Equivalents (FTE)

	<u>01/02</u>	<u>02/03</u>	<u>02/03</u>	<u>03/04</u>
	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
<i>Town Staff</i>				
Elected Town Clerk	0.25	0.25	0.25	0.25
Clerk Administrator	0.75	0.75	0.75	0.75
Senior Deputy Clerk	1.00	1.00	1.00	1.00
Deputy Clerk	2.00	2.00	2.00	2.00
TOTAL PROGRAM FTEs	4.00	4.00	4.00	4.00

	<u>01/02</u>	<u>02/03</u>	<u>02/03</u>	<u>03/04</u>
	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
<i>Temporary Staff</i>				
Intern	605	605	605	-
TOTAL ANNUAL HOURS	605	605	605	-

KEY PROGRAM SERVICES

TOWN OFFICES

Town Clerk

- Provides public notice of Council, Commission and Board meetings
- Provides public notice of Town Board, Commission, and Committee vacancies
- Accepts and files appropriate documents associated with municipal elections
- Acts as Filing Official for the Town's Conflict of Interest Code in conformance with the requirements of the Fair Political Practices Commission
- Provides passport renewal services to the community
- Preserves and maintains the Town records and legislative history as required by Town Code

**OFFICE OF THE TOWN CLERK
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

\$ 363,160
\$ 33,864
\$ 35,864

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1.	<i>Defund .50 FTE Deputy Clerk position.</i>	\$33,864	\$33,864	<i>The part-time Deputy Clerk position has been vacant since late Fall 2003 and as a result of reprioritizing and reallocating the position's duties, no significant service level impacts to the community have been experienced. However, it should be noted that the reallocation of duties have slowed the productivity of ongoing projects such as records retention and document imaging.</i>
2.	<i>Reduction in Advertising Expenditures</i>		\$2,000	<i>The service impact associated with this reduction is anticipated to be minimal. Analysis of expenditures in previous years indicates this reduction can be absorbed.</i>
	TOTAL	\$33,864	\$35,864	

TOWN TREASURER

PROGRAM PURPOSE

The Town Treasurer is the elected custodian of Town Funds, serving a four year term. The Treasurer, as the custodian of Town funds, provides oversight and management of the Town's investments program, debt administration, and banking services. Investment activities are mandated in the State Government Code and the Town Code, and related duties within these areas of responsibility include monthly investment reporting and preparing an annual update to the Town's Investment Policy.

PRELIMINARY ADJUSTMENT STRATEGY

Budget Reductions were not proposed for the Town Treasurer's Office in FY 2004/05 as the minimal program expenditures are strictly related to basic staffing duties, service fees, and essential operating services, without any discretionary funding available for reductions.

∞ TOWN TREASURER ∞

SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUE				
<i>Interest Income</i>	2,071,129	1,400,000	1,139,861	1,191,675
TOTAL REVENUES	\$ 2,071,129	\$ 1,400,000	\$ 1,139,861	\$ 1,191,675
 EXPENDITURES				
<i>Salaries and Benefits</i>	42,150	46,900	41,911	47,600
<i>Operating Expenditures</i>	6,617	11,300	5,266	4,060
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	7,067	5,100	4,991	4,900
TOTAL EXPENDITURES	\$ 55,833	\$ 63,300	\$ 52,169	\$ 56,560

TOWN TREASURER PROGRAM STAFFING

Full Time Equivalents (FTE)

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Town Staff				
Treasurer	1.00	1.00	1.00	1.00
Sr. Account Technician	0.25	0.25	0.25	0.25
TOTAL PROGRAM FTE's	1.25	1.25	1.25	1.25

KEY PROGRAM SERVICES

TOWN OFFICES

Town Treasurer

- Serves as custodian of all Town funds, pursuant to State Government and Town code
- Provides oversight of Town investments, including decisions related to purchases and cash management, in conformity with adopted Investment Policy
- Provides oversight of Town Debt Service and banking service relationships
- Informs Town Council and Town Management of investment activity trends and results

TOWN ATTORNEY

PROGRAM PURPOSE

The Town Attorney is the legal advisor to the Town Council, Staff, and Redevelopment Agency. The Town Attorney processes and evaluates all claims against the Town and manages all litigation involving the Town.

PRELIMINARY ADJUSTMENT STRATEGY

The FY 2004/05 preliminary proposed budget adjustments were developed considering the need to maintain the ability to provide legal advice and conduct legal transactions to support the Town organization and Council. Given the limited capacity of the existing budget, the Tier I and Tier II budgets proposes a reduction of .25 FTE legal assistance support to the Town Attorney from .75 FTE to .50 FTE. Currently, funding for this position is distributed between the Attorney's Office and the Town's Self-Insurance Fund.

Proposed clerical/administrative FTE reductions in the Town Offices and Town Manager's Department would be implemented in coordination with an evaluation of restructuring opportunities to maximize resources and efficiencies.

TOWN ATTORNEY

SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
	-	-	-	-
	-	-	-	-
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<i>Salaries and Benefits</i>	234,122	170,300	157,281	159,700
<i>Operating Expenditures</i>	26,936	56,100	31,636	46,400
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	28,862	24,100	26,410	23,960
TOTAL EXPENDITURES	\$ 289,921	\$ 250,500	\$ 215,327	\$ 230,060

TOWN ATTORNEY PROGRAM STAFFING

Full Time Equivalents (FTE)

<i>Town Staff</i>	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Town Attorney	1.00	0.75	0.75	0.75
Legal Assistant	0.75	0.20	0.20	0.20
Secretary to the Attorney	1.00	1.00	1.00	1.00 *
TOTAL PROGRAM FTE's	2.75	1.95	1.95	1.95

* Defunded

KEY PROGRAM SERVICES

TOWN OFFICES

Town Attorney

- Represents the Town regarding litigation matters, including criminal prosecutions of code violations
- Serves as the legal advisor for the Town Council, Town staff, and Redevelopment Agency
- Processes and evaluates all claims against the Town and manages all litigation involving the Town
- Drafts and/or reviews all proposed ordinances and resolutions
- Supervises personal injury or property damage claims and related claims litigation
- Reviews and/or drafts Town staff reports and contracts
- Assists in the administration of the Town's liability insurance and risk management program
- Negotiates key transactions such as property acquisitions

**OFFICE OF THE TOWN ATTORNEY
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

Department's Total Adopted General Fund Budget 2003/04:

\$ 230,060

Tier I Proposed Budget Adjustment:

\$ 21,202

Tier II Proposed Budget Adjustment:

\$ 27,600

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<i>Defund Legal Assistant position from .75 FTE to .50 FTE.</i>	\$21,202	\$21,202	<i>The service impact of reducing the Legal Assistant position to .50 FTE would slow the processing of claims against the Town as well as the coordination of litigation activities. Proposed mitigation measures would include using resources and staff (when available) from other departments to provide the necessary administrative support.</i>
2	<i>Reduction of legal service expenditures.</i>		\$6,398	<i>Reduction of legal service expenditures would limit the amount of available funding to address unforeseen litigation involving the Town. If this reduction is implemented, alternative revenue sources would have to be identified should additional legal services be required.</i>
	TOTAL	\$21,202	\$27,600	

TOWN MANAGER'S DEPARTMENT

Town Manager's Office

PROGRAM PURPOSE

The Office of the Town Manager ensures that all Town programs and services are provided effectively and efficiently. It provides administrative direction, leadership, coordination and monitoring through group and individual meetings with the Executive Management Team and the Town Council, and through specific administrative assignments. The Manager's Office approves and distributes all Council agenda reports and follow up on Council decisions; fosters public awareness of municipal programs, services and goals; and reinforces public service orientation among employees. Additionally, the Manager's Office acts as the Public Information Office in their efforts to respond to citizen inquiries by explaining Town services and functions, marketing Town amenities, and investigating and solving problems and providing information. Other duties include initiating new or special projects that enhance the Town government and community and provide direct staff assistance to the Mayor and Town Council on special projects and day-to-day activities.

PRELIMINARY ADJUSTMENT STRATEGY

Given the fiscal challenges facing the Town, the preliminary proposed budget adjustments for the Town Manager's Department reflect reductions in both salary and benefits and operational expenditures. When developing the proposed budget adjustments, consideration was given to the capacity of the department's budget, its existing work load, and impact on the community. While the priority was to minimize service impacts, implementation of the Tier I or Tier II proposed reductions would decrease service levels to internal and external customers, due to the .25 FTE and .50 FTE, reduction in clerical support; respectively.

Proposed clerical/administrative FTE reductions in the Town Manager's Department and Town Offices would be implemented in coordination with an evaluation of restructuring opportunities to maximize resources and efficiencies.

TOWN MANAGER'S DEPARTMENT

SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
<i>Licenses and Permits</i>	-	-	-	-
<i>Intergovernmental Revenues</i>	-	-	-	-
<i>Service Charges</i>	-	-	-	-
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<i>Salaries and Benefits</i>	298,150	347,700	344,821	318,100
<i>Operating Expenditures</i>	56,397	31,000	37,258	32,000
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	28,713	45,000	45,865	42,880
TOTAL EXPENDITURES	\$ 383,260	\$ 423,700	\$ 427,944	\$ 392,980

TOWN MANAGER PROGRAM STAFFING

Full Time Equivalents (FTE)

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Town Staff				
Town Manager	0.45	0.45	0.45	0.45
Assistant Town Manager	0.35	0.35	0.35	0.35
Administrative Analyst	0.50	0.80	0.80	0.80 *
Secretary to the Town Manager	0.50	0.50	0.50	0.50
Office Clerk	0.75	0.75	0.75	0.75
TOTAL PROGRAM FTE's	2.55	2.85	2.85	2.85

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Temporary Staff Hours				
Clerical Aide	1,480	1,480	1,480	-
Intern	-	-	-	500
TOTAL ANNUAL HOURS	1,480	1,480	1,480	500

* Defunded .25 FTE

KEY PROGRAM SERVICES

TOWN MANAGER'S DEPARTMENT

Town Manager's Office

- Provides policy advice and staff support to the Mayor and Town Council
- Provides administrative direction and leadership over Town Departments, programs, and services
- Oversees the Town's organizational and fiscal management efforts and program development and evaluation processes
- Coordinates the preparation of the annual Operating and Capital Budget
- Implements the Town of Los Gatos Strategic Plan
- Oversees the Town Council agenda process
- Oversees the Town's cable television franchise agreement
- Addresses citizen complaints, inquiries, and requests
- Monitors proposed state and federal legislation and coordinates response plan with key legislative organizations
- In coordination with Community Development Department, provides guidance and direction to Economic Vitality Program

**TOWN MANAGER'S DEPARTMENT
PRELIMINARY BUDGET PROPOSALS**

FY 2004/05

\$ 392,980

\$ 23,600

\$ 41,068

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1.	<i>Reduce Temporary Employees Budget</i>	\$6,216	\$9,300	<i>It is anticipated that defunding the Temporary Employee budget will have an impact on service levels to the Town Manager's Office, slowing some routine clerical administrative processes and reducing support to professional staff. This impact becomes more significant when taken in combination with the FTE reduction of the Office Clerk as described in Proposal #3. In the event supplemental clerical support is required, alternate resources within the organization will be identified.</i>
2.	<i>Reduce operating expenditures</i>	\$4,500	\$6,000	<i>Reductions to operating expenditures, including office supplies and travel/ training will result in internal service impacts, requiring the reevaluation and reprioritization of purchases and training opportunities.</i>

Proposals	Proposed Adjustments	Tier I	Tier II	Service Impacts
3.	<i>Defund .25 FTE Office Clerk position</i> <i>Position reduced from 1.0 FTE to .75 FTE</i>	\$12,884		<i>This reduction will reduce the existing staffing distribution from .75 FTE to .50 FTE and will have a significant impact on service levels, slowing routine clerical administrative processes and reducing support to professional staff. In the event supplemental clerical support is required, alternate resources within the organization will be identified.</i>
4.	<i>Defund .50 FTE Office Clerk position</i> <i>Position reduced from 1.0 FTE to .50 FTE.</i>		\$25,768	<i>The proposed reduction would reduce the existing staffing distribution from .75 FTE to .35 FTE. This reduction would significantly impact internal and external service levels, slowing the response time to customer inquiries and clerical and administrative support to professional staff. If this reduction is implemented, the redistribution of existing clerical and administrative support and resources within the organization would be restructured to mitigate the proposed staffing reduction.</i>
	TOTAL	\$23,600	\$41,068	

TOWN MANAGER'S DEPARTMENT

Human Resources

PROGRAM PURPOSE

The purpose of the Human Resources Program is to attract, develop and retain a quality workforce. It accomplishes this by providing effective and efficient employee recruitment and retention, professional development, training, organizational development, compensation and classification administration, employee relations support, safety and workers compensation administration, benefit administration, and policy and procedure development and administration. Employee relations activities emphasize proactive and preventative informal resolution of employee and management concerns. Program staff is responsible for the development of Memorandums of Understanding (MOU) with the Town's three bargaining units and informal discussions with the Town's management and confidential employees.

PRELIMINARY ADJUSTMENT STRATEGY

The reductions in Human Resources were approached from the perspective of maintaining a very minimal level of core service and avoiding significant operational impacts on departments. The Tier I preliminary proposed reductions result in a .30 FTE reduction in HR positions, and the Tier II reductions would result in a .375 FTE reduction.

It is likely that Human Resources will be part of a potential reorganization of administrative functions. The goal will be to achieve operational efficiencies and cost savings in administrative services. Additionally, staff is exploring opportunities to partner with other agencies to provide human resources services.

∞ TOWN MANAGER'S DEPARTMENT ∞

SUMMARY OF REVENUES AND EXPENDITURES

	<u>01/02</u> <u>Actuals</u>	<u>02/03</u> <u>Adopted</u>	<u>02/03</u> <u>Estimated</u>	<u>03/04</u> <u>Adopted</u>
REVENUES				
<i>Licenses and Permits</i>	-	-	-	-
<i>Intergovernmental Revenues</i>	-	-	-	-
<i>Service Charges</i>	-	-	-	-
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<i>Salaries and Benefits</i>	466,853	470,700	394,032	382,700
<i>Operating Expenditures</i>	158,139	133,500	56,264	77,900
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	38,768	36,900	34,824	30,110
TOTAL EXPENDITURES	\$ 663,761	\$ 641,100	\$ 485,120	\$ 490,710

HUMAN RESOURCES PROGRAM STAFFING

Full Time Equivalents (FTE)

	<u>01/02</u> <u>Actuals</u>	<u>02/03</u> <u>Adopted</u>	<u>02/03</u> <u>Adjusted</u>	<u>03/04</u> <u>Adopted</u>
Town Staff				
Town Manager	0.30	0.30	0.30	0.30
Assistant Town Manager	0.50	0.50	0.50	0.50
Human Resources Director	1.00	0.80	0.80	0.80
Human Resources Specialist	2.00	1.80	1.80	1.80 *
Administrative Analyst	0.20	0.10	0.10	0.10
TOTAL PROGRAM FTE's	4.00	3.50	3.50	3.50

	<u>01/02</u> <u>Actuals</u>	<u>02/03</u> <u>Adopted</u>	<u>02/03</u> <u>Adjusted</u>	<u>03/04</u> <u>Adopted</u>
Temporary Staff Hours				
Project Manager	1,480	1,480	1,480	-
	-	-	-	-
TOTAL ANNUAL HOURS	1,480	1,480	1,480	-

* Defunded .30 FTE

KEY PROGRAM SERVICES

TOWN MANAGER'S DEPARTMENT

Human Resources Department

- Provides effective administration of employee relations program
- Conducts employee training
- Administers employee benefits
- Administers recruitment and selection program
- Administers classification and compensation plans
- Provides information and interpretation regarding Town Personnel Rules, regulations and procedures, MOU and ordinances
- Effectively resolves personnel issues
- Maintains employee personnel files, records, and documentation
- Administers the workers' compensation and safety programs
- Develops, implements, and maintains administrative policies and procedures
- Serves as advisor to employee recognition program

**HUMAN RESOURCES – TOWN MANAGER'S DEPARTMENT
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

\$ 490,710

\$ 29,500

\$ 59,000

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1.	<i>Materials and Supplies Reduction</i> <i>Reduction in expenditures for materials and supplies.</i>	\$ 7,500	\$ 7,500	<i>Service impacts are not anticipated.</i>
2.	<i>Defund .30 FTE Human Resource Specialist</i> <i>One Human Resources Specialist position would be reduced from 40 to 30 hours per week(.25 FTE) and the other would be reduced from 28 to 26 hours per week(.05 FTE)</i>	\$ 22,750	\$ 22,750	<i>Service impacts will be partially offset through the use of a new on-line applicant tracking and communication system. Recruitment and selection activities will be delayed. The impact to benefits administration will be mitigated in part through efficiencies gained in workflow process, transfer of duties to line departments, and on-line processing. There will be a reduction in hours that HR staff is available to resolve employee benefit issues, coordinate training and the employee recognition program. The ability of staff to develop, maintain and deliver high quality HR programs will be diminished. The availability of HR staff to provide backup assistance to the Town Manager's Office will be greatly diminished.</i>

Proposals	Proposed Adjustments	Tier I	Tier II	Service Impacts
3.	<p>Defund .375 FTE Human Resource Specialist Reduction</p> <p><i>Additional reductions: One position would be reduced from 30 to 20 hours per week (.25 FTE) and the other position would be reduced from 26 to 20 hours per week (.125 FTE).</i></p>		\$ 29,400	<p>The reduction of staff dedicated to benefits administration will be mitigated through efficiencies gained in workflow process, transfer of duties to line departments, and on-line processing. Staff will have very little time available to resolve employee benefit issues, and coordinate training and the employee recognition program. The ability of staff to develop, maintain and deliver high quality HR programs will be diminished. HR staff will be unable to provide backup assistance to the Town Manager's Office. A new on-line applicant tracking and communication system will partially mitigate the impact on recruitment efforts. Recruitments will take more time to complete resulting in temporary staffing shortages, which will impact service to the community. Resolution of workers' compensation issues will take longer and may result in increased costs. There will be reduced capacity to address special projects and HR program development, resulting in diminished service levels.</p>
	TOTAL	\$ 30,250	\$ 59,650	

TOWN MANAGER'S DEPARTMENT

Finance & Administrative Services

PROGRAM PURPOSE

The Finance and Administrative Services Program provides staff support for the Town's financial functions and responsibility, assuring both legal and fiscal accountability to the public. The Finance program's core services are to: provide financial oversight and administer accounting functions for all of the Town's funds and accounts; prepare the Town's Annual Operating and Capital Budgets for fiscal and service accountability; coordinate the annual financial audit and preparation of the Comprehensive Annual Financial Report (CAFR) to verify proper fiscal practices are maintained; administer the Town's Business License, Accounts Payable, Accounts Receivable, and Payroll functions and oversee the Town's Purchasing and Claims Administrations functions, ensuring proper practices are in place and fiscal and operational responsibility is upheld.

PRELIMINARY ADJUSTMENT STRATEGY

The Finance Department approached its budget reduction targets with an objective of maintaining staff expertise in the delivery of essential core functions and fulfilling fiscal and legal responsibilities. With a strategy of utilizing partial reductions of four staff positions and the elimination of operational flexibility formerly obtained through the use of overtime hours and temporary staff, Finance will endeavor to minimize services level impacts while maintaining core services. Under the Tier I proposal, a total of .80 FTE will be defunded along with a reduction in overtime and temporary staff hours. Under the Tier II proposal, a total of 1.20 FTE is defunded along with the reduction in overtime, and a deeper reduction in temporary hours.

TOWN MANAGER'S DEPARTMENT

SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
<i>Licenses and Permits</i>	978,297	1,000,000	970,554	1,035,000
<i>Intergovernmental Revenues</i>	51,176	-	1,193	-
<i>Service Charges</i>	-	-	-	-
TOTAL REVENUES	\$ 1,029,473	\$ 1,000,000	\$ 971,747	\$ 1,035,000
EXPENDITURES				
<i>Salaries and Benefits</i>	717,868	882,400	776,321	824,500
<i>Operating Expenditures</i>	67,681	118,800	108,278	122,600
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	72,635	87,400	81,738	80,950
TOTAL EXPENDITURES	\$ 858,185	\$ 1,088,600	\$ 966,337	\$ 1,028,050

FINANCE & ADMINISTRATIVE SERVICES PROGRAM STAFFING

Full Time Equivalents (FTE)

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
<i>Town Staff</i>				
Town Manager	0.25	0.25	0.25	0.25
Assistant Town Manager	0.15	0.15	0.15	0.15
Finance & Admin Services Director	1.00	1.00	1.00	1.00
Accounting Manager	1.00	1.00	1.00	1.00
Finance Project Coordinator	0.75	0.75	0.75	0.75
Administrative Analyst	0.20	-	-	-
Accountant	0.90	0.90	0.90	1.00 *
Sr. Account Technician	1.40	1.40	1.40	1.30
Account Technician	2.00	2.00	2.00	2.00
Sr. Account Clerk	1.00	1.00	1.00	1.00
TOTAL PROGRAM FTEs	8.65	8.45	8.45	8.45

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
<i>Temporary Staff</i>				
Clerical Aide	640	-	-	-
Student Intern	1,200	1,200	1,200	-
Account Technician	240	240	240	300
Sr. Account Clerk	480	-	-	-
TOTAL ANNUAL HOURS	1,840	1,200	1,440	300

* Defunded .60 FTE

KEY PROGRAM SERVICES

TOWN MANAGER'S DEPARTMENT

Finance and Administrative Services Department

- Develop and monitor the Town's annual operating and capital budgets in accordance with Governmental Finance Officer Association (GFOA) guidelines
- Coordinate the annual audit of the Town's financial statements and preparation of the Comprehensive Annual Financial Report (CAFR)
- Maintain the Town's financial information system for record-keeping and reporting of all financial transactions
- Provide Accounts Payable and Payroll disbursement and reporting services; Accounts Receivable invoicing, revenue collection, and cash reconciliation; and Business License Tax processing and auditing services.
- Provide accounting, arbitrage reporting, and claim reimbursement services for bond issues
- Provide oversight of procurement functions including Purchase Order processing, financial tracking of contracts, vendor resolution issues, and proper accounting allocation

**FINANCE – TOWN MANAGER'S DEPARTMENT
PRELIMINARY BUDGET PROPOSALS**

FY 2004/05

Department's Total Adopted General Fund Budget 2003/04:

\$ 1,028,050

Tier I Proposed Budget Adjustment:

\$ 61,700

Tier II Proposed Budget Adjustment:

\$ 123,400

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<i>Reduce staff overtime</i>	8,000	8,000	<i>This reduction reflects anticipated savings under the assumption that Finance staff will continue its historical practice of minimal overtime earnings and selection of compensation time rather than payment.</i>
2	<i>Reduce temporary employee budget</i> <i>Tier I – retain document retention temp and mailroom services help</i> <i>or</i> <i>Tier II – retain mailroom services only</i>	1,500	6,000	<i>This reduction targets part-time student assistance for clerical functions i.e. mail services and document retention duties. Ongoing daily operations will be impacted as Finance staff will need to fill this additional gap in Administrative services.</i>
3	<i>Reduce operating expenditures</i>	5,500	15,000	<i>Planned reductions to expenditures include financial consultant services, training expenditures, supplies, and printing services. Reduction in funding for services will increase in-house workload and impact daily operations. Reductions in supplies and training may impact operating efficiencies.</i>

Proposals	Proposed Adjustments	Tier I	Tier II	Service Impacts
4	<p>Defund Sr. Account Clerk position Tier I – from full-time to 80% FTE with additional funding for peak workload periods or Tier II – from full time to 75% FTE with NO additional funding for peak workload periods.</p>	9,900	16,600	<p>This FTE reduction will impact cashiering service availability, requiring additional backup from finance staff to maintain the high level of customer service and full office hours. Non-essential functions will be eliminated or transferred to other staff, including assistance with business license tax processing during peak workloads. Service level impacts will be evident internally as workload compaction will create delays and less availability of staff time within the Finance Department caused by the additional cashier backup needs. Cashier service hours may need to be reduced as a result of conflicts with workload needs, however operating efficiencies will be sought to maintain a reasonable level of customer service.</p>
4	<p>Defund FTE Business License Account Technician Tier I – from full-time to 80% FTE with additional funding for peak workload periods or Tier II – from full time to 75% FTE with NO additional funding for peak workload periods.</p>	11,000	19,000	<p>This FTE reduction will decrease time available to audit reported earnings, research for unlicensed businesses, and provide support for code enforcement activities. The reduction in the cashier position will create additional workload impact to the business license position as more backup assistance will be required to cover business hours at the cashier's desk.</p>
4	<p>Defund Accounts Payable Account Technician Tier I – from full-time to 80% FTE with additional funding for peak workload periods or Tier II – from full time to 75% FTE with NO additional funding for peak workload periods.</p>	11,000	19,000	<p>This FTE reduction will impact the ability to provide immediate accounts payable services to other departments and vendors, and may result in invoice and purchase order processing delays. Operating efficiencies will be sought to best utilize staff time.</p>

Proposals	Proposed Adjustments	Tier I	Tier II	Service Impacts
4	<p>Defund Finance Coordinator position – This position is allocated 75% to Finance and 25% to MIS for website maintenance services. This reduction refers only to the Finance Department portion of the position.</p> <p>Tier I – .20 FTE reduction - from 75% to 55% with additional funding for peak workload periods or Tier II – .40 FTE reduction - from 75% to 35% with NO additional funding for peak workload periods.</p>	14,800	39,800	<p>This FTE reduction will result in a reprioritization of work assignments to support highest priority needs in the time available, with support for some functions and special projects eliminated. Non-essential functions will be eliminated or transferred to other staff, including reductions in cashier backup and business license assistance during peak workloads. Service level impacts will be evident internally as departmental requests may be delayed due to workload compaction. Under Tier II, this reduced availability and flexibility of staff time due to workload compaction becomes more pronounced with significant service level impacts. Operating efficiencies will be sought to provide best use of time.</p>
	TOTAL	\$ 61,700	\$ 123,400	

TOWN MANAGER'S DEPARTMENT

Management Information Systems

PROGRAM PURPOSE

Management Information Systems (MIS) supports the delivery of services to all the Town's customers through the use of SMART technology (Sensible, Multi-modal, Accessible, Responsive, and Time phased technology). Key services include the maintenance, replacement, and upgrade of existing technology, and the support for new information technology initiatives.

In meeting the organization's information technology needs, the MIS program strives to achieve the following goals:

- ✓ Continuously enhance and improve customer service
- ✓ Maintain and enhance a sound and reliable IT infrastructure
- ✓ Use information technology to provide seamless services
- ✓ Operate as a team to achieve information technology goals

PRELIMINARY ADJUSTMENT STRATEGY

The MIS proposed reductions for FY 2004/05 respond to the Town's fiscal condition, while recognizing that continued investment in information technology is a cost-effective approach to maintaining, or potentially increasing, service delivery levels in times of fiscal constraints. Thus, reductions are first targeted in day-to-day services, supplies and training which should not affect service delivery to a significant extent and secondly in the Town's funds for priority new systems to enhance services. In addition, MIS staff is exploring opportunities to partner with other cities and agencies to implement improvements in a cost-effective manner.

∞ TOWN MANAGER'S DEPARTMENT ∞

STATEMENT OF SOURCE AND USE OF FUNDS

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
SOURCE OF FUNDS				
Beginning Fund Balance				
Undesignated	1,706,033	1,826,403	1,826,403	1,895,801
Total Beginning Fund Balance	1,706,033	1,826,403	1,826,403	1,895,801
Revenues				
Charges for Services	680,399	775,100	772,209	831,300
Other Sources	-	-	150	-
Total Revenues	680,399	775,100	772,359	831,300
TOTAL SOURCE OF FUNDS	\$ 2,386,432	\$ 2,601,503	\$ 2,598,762	\$ 2,727,101
USE OF FUNDS				
Expenditures				
Salaries and Benefits	231,142	234,400	242,573	312,300
Operating Expenditures	312,977	461,500	373,431	756,500
Fixed Assets	15,911	375,000	86,957	140,000
Internal Service Charges	-	-	-	-
Total Expenditures	560,029	1,070,900	702,961	1,208,800
Operating Transfers				
Transfer to GFAR	-	175,000	-	-
Transfer to General Fund	-	-	-	-
Total Operating Transfers	-	175,000	-	-
Ending Fund Balance				
Undesignated	1,826,403	1,355,603	1,895,801	1,518,301
Total Ending Fund Balance	1,826,403	1,355,603	1,895,801	1,518,301
TOTAL USE OF FUNDS	\$ 2,386,432	\$ 2,601,503	\$ 2,598,762	\$ 2,727,101

MANAGEMENT INFORMATION PROGRAM STAFFING

Full Time Equivalent (FTE)

	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Town Staff				
MIS Manager	1.00	1.00	1.00	1.00
MIS Specialist	1.00	1.00	1.00	2.00
Finance Project Coordinator*	0.25	0.25	0.25	0.25
TOTAL PROGRAM FTE's	2.25	2.25	2.25	3.25

* Finance Project Coordinator is a shared position with the Finance Department and provides support for the Town's website.

KEY PROGRAM SERVICES

TOWN MANAGER'S DEPARTMENT

Management Information Services

- Maintenance and upgrades of administrative network system (servers, PCs, notebooks, printers, hardware, & software)
- Town-wide MIS replacement program purchases
- Customer technical support
- Website management
- Research and planning for new technology solutions

MANAGEMENT INFORMATION SYSTEMS (MIS)
PRELIMINARY BUDGET PROPOSALS
FY 2004/05

\$ 1,208,800

\$ 42,500

\$ 40,000

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<i>Reduce Operating Expenditures</i>	\$42,500		<i>Reductions to material and supplies operating expenditures are expected to have no direct immediate impact on service levels. Previous funding levels allowed response to unforeseen purchase or service needs common with ever-changing technology. However, some flexibility has been retained for limited I.T.improvement projects meeting goals of the I.T. Strategic Plan.</i>
2	<i>Reduce IT Project Funding</i> <i>The "I.T. Master Plan Projects" and "One Time Capital Purchases" (Phone System) budgeted in the Management Information Systems program will each be reduced by \$20,000 in the FY 2004/2005 budget. This reduction amounts to 6% of the \$350,000 budget for "I.T. Master Plan Projects" and 14% of the \$140,000 budget for the phone system.</i>		\$40,000	<i>The first reduction is expected to impact the ability to fund I.T. projects that meet the goals of the recent I.T. Master Plan. However, \$330,000 will still be available for these purposes after this reduction. The second reduction is expected to impact the ability to fund a full phone system redesign, however, it is not yet known what level of redesign is required if any, and \$120,000 will still be available for this purpose after this reduction.</i>
	TOTAL	\$42,500.00	\$40,000.00	

COMMUNITY DEVELOPMENT DEPARTMENT

DEPARTMENT PURPOSE

The Community Development Department guides the physical growth of the Town to maintain the character and vitality of the community. It accomplishes this through providing current and advanced planning, redevelopment, code compliance, building inspection, and other development-related activities. The community assists the Department's efforts through participation on the Planning Commission, Development Review Committee, Historic Preservation Committee, Conceptual Development Advisory Committee, General Plan Committee, Architectural Standards/Hillside Committee and related subcommittees, all of which are supported by Department staff. In coordination with the Town Manager's Office, guides management of the Redevelopment Agency and the Town's Economic Vitality and Affordable Housing Programs.

PRELIMINARY ADJUSTMENT STRATEGY

In keeping with the Town's financial policies, the development-related services provided by the Community Development Department (CDD) are supported by fees based on the actual costs of the services. CDD's objective is to achieve cost recovery.

CDD's approach to developing the preliminary budget was first to ensure cost recovery in three areas as follows: increasing the building permit valuation factor; implementing the new Administration Citation Program; and tracking planning projects that have exceeded the fee collected. The anticipated revenues will provide cost recovery for building inspection, plan check services, and planning services to reduce the General Fund subsidy.

In the event that Council does not choose to pursue these fee increases for cost recovery, CDD will approach cost savings through staff reductions. The staff reductions would result from reorganization of the duties within CDD in the areas of Advanced Planning, Development Review and Inspection Services.

∞ COMMUNITY DEVELOPMENT DEPARTMENT ∞

DEPARTMENTAL SUMMARY OF REVENUES AND EXPENDITURES

	01/02	02/03	02/03	03/04
	Actuals	Adopted	Estimated	Adopted
REVENUES				
<i>Licenses and Permits</i>	610,207	660,000	785,503	660,000
<i>Service Charges</i>	907,476	930,000	1,024,101	1,076,000
<i>Other Sources</i>	(71)	-	(11)	-
TOTAL REVENUES	1,517,612	1,590,000	1,809,593	1,736,000
EXPENDITURES				
<i>Salaries and Benefits</i>	1,356,631	1,831,900	1,589,536	1,779,600
<i>Operating Expenditures</i>	485,444	462,750	450,852	436,450
<i>Fixed Assets</i>	33,665	16,000	-	-
<i>Internal Service Charges</i>	196,542	237,600	229,490	227,300
TOTAL EXPENDITURES	\$2,072,282	\$2,548,250	\$2,269,877	\$2,443,350

EXPENDITURES BY PROGRAM

Administration	415,047	213,600	185,305	155,600
Developmental Review	630,524	910,900	848,707	900,050
Code Compliance	45,899	115,700	100,999	117,510
Inspection Services	675,401	872,100	847,916	906,280
Advanced Planning	305,410	435,950	286,950	363,910
TOTAL EXPENDITURES	2,072,282	2,548,250	2,269,877	2,443,350

∞ COMMUNITY DEVELOPMENT DEPARTMENT ∞

COMMUNITY DEVELOPMENT DEPARTMENT STAFFING

Full Time Equivalent (FTE)

	01/02	02/03	02/03	03/04
<i>Town Staff</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Community Development Director	1.00	1.00	1.00	1.00
Asst. Community Development Director	1.00	1.00	1.00	1.00
Administrative Analyst	0.75	0.75	0.75	0.80
Administrative Secretary	1.00	1.00	1.00	1.00
Secretary III	1.00	1.00	1.00	1.00
Associate Planner	4.00	4.00	4.00	4.00
Planner	1.00	1.00	1.00	1.00
Assistant Planner	1.00	1.00	1.00	1.00
Counter Technician	2.00	2.00	2.00	2.00
Code Compliance Officer	1.00	1.00	1.00	1.00
Sr. Building Inspector	1.00	1.00	1.00	1.00
Building Inspector	4.00	4.00	4.00	4.00
Plan Check Engineer	1.00	1.00	1.00	1.00
TOTAL PROGRAM FTEs	19.75	19.75	19.75	19.80

	01/02	02/03	02/03	03/04
<i>Temporary Staff Hours</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Intern	1,040	1,040	1,040	1,040
Assistant Planner	1,040	1,040	1,040	-
TOTAL ANNUAL HOURS	2,080	2,080	2,080	1,040

* Defunded .40 FTE

** Defunded 1.0 FTE

KEY PROGRAM SERVICES

COMMUNITY DEVELOPMENT DEPARTMENT

Administration Program

- Set and monitor goals for the department and staff
- Manage department operations, including the budget
- Provide support for Town Council and Planning Commission meetings
- Provide support on Town projects and initiatives including planning and building issues

Development Review Program

Provide Staff support to the following boards and commissions:

- Planning Commission
- Development Review Committee
- Historic Preservation Committee
- Conceptual Development Advisory Committee
- General Plan Committee
- Architectural Standards/Hillside Committee
- Various subcommittees

Analyze and process the following types of applications:

- General Plan amendments
- Town Code amendments
- Rezoning
- Architecture and Site
- Variances
- Conditional Use Permits
- Minor Residential Development and Subdivisions
- Agricultural Preserve Contracts
- Home Occupation Permits
- Certificates of Use and Occupancy
- Sign Permits
- Secondary Dwelling Units
- Mobile Home Park Conversions
- Environmental Review

Code Compliance Program

- Resolve complex Town code and zoning violations
- Enforce various Town codes while focusing on obtaining voluntary compliance from the public
- Educate the public about Town regulations for accessory structures, inoperative vehicles, rubbish,

- signs, fences, and other related matters
- Review Home Occupation Permits (HOP) for proper use in residential zones
- Conduct cursory inspections/investigations of structures/residences concerning public health related issues
- Coordinate with the Finance Department to ensure all businesses have a correct business license

Inspection Services Program

Inspection Services:

- Perform on-site field inspections for all buildings and structures under construction
- Investigate Housing Code violations
- Assist contractors, architects, engineers, and the general public with construction questions

Building Counter Services:

- Coordinate building permit applications with other departments and agencies
- Review worker's compensation requirements and contractors' licenses
- Maintain the computerized permit tracking and plan check systems including data entry for permit activity
- Produce and distribute reports on statistical information regarding building and related permit activity
- Distribute and track plans, and calculate and collect fees

Plan Check Services:

- Perform complex professional building, structural and life safety plan review of commercial, industrial and residential building per the Uniform building codes, state regulations, and local ordinances.
- Coordinate building information and activity with other department and agencies
- Provide building code information to customers

Advanced Planning

- Preparation of plans, amendments, administrative policies, ordinances, and maps
- Management of consultants assisting with the General Plan Work Program

**COMMUNITY DEVELOPMENT DEPARTMENT
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

Department's Total Adopted General Fund Budget 2003/04:

\$2,443,350

Tier I Proposed Budget Adjustment:

\$ 698,672

Tier II Proposed Budget Adjustment:

\$ 765,756

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1a.	<i>Building Permit Valuation Revenue Enhancement</i> The valuation calculation used to calculate building permit fees will be increased by a modifier beyond the fee established by the Uniform Building Code. The modifier will establish a more realistic construction cost as determined based on surveys of contractors, similar communities and insurance companies.	\$648,672	\$648,672	The building permit fee increase will provide for cost recovery for building inspection and plan check services and will cause the valuation calculation to reflect realistic cost of construction in Los Gatos. Separate Council review of staff proposal will be scheduled for a Public Hearing and action.
1b.	<i>Administrative Citation Program Revenue Enhancement</i> This is a new Administrative Citation Program to be implemented. The fee for the Code Compliance Program will be established as part of the adoption of the Administrative Citation Program.	\$ 30,000	\$ 30,000	The implementation of this program will reduce the number of times Code Compliance has to address a violation thereby abating violations more effectively. It will also take a partial financial burden off the General Fund and place the cost of abating violations on the violator.

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1c.	Planning Project Cost Recovery Planning projects that have exceeded the fee collected will be evaluated by the Planners/Director and the applicants will be responsible for any additional costs above and beyond the normal fee. This will achieve cost recovery for the projects that tend to far exceed the fees that have been collected.	\$ 20,000	\$ 20,000	Planning projects will be evaluated by the Planners/Director to determine if the original fee has been exhausted. At that point, applicants will be informed of the issue and an additional deposit depending on the size of the project will be imposed. This deposit will be held and actual costs that have exceeded the normal fee will be charged against the deposit. All actual costs will be tracked and documented by the Planners, Director, etc. This will achieve cost recovery for those projects that exceed the established fee.
2	Potential Reallocation of RDA Manager Responsibilities and Funding Allocation Due to RDA Manager position being vacant, the RDA Manager position may be combined with other existing funded positions in the General Fund		\$ 67,084	The reallocation will result in reprioritization of work assignments and some duties will be assigned to other General Fund positions, which may need to reduce other services provided. It is not expected that Redevelopment and Economic Vitality activities will be reduced.
Alternate	Potential Development Positions Defunding If the building permit fee increase is not approved by Council, the alternative will be reductions in positions in Advanced Placement, Development Review, and Inspection programs, through a reorganization of staff responsibilities. * \$189,438 represents the alternative method and is not included in the Tier II Total		\$189,438 *	The FTE reductions will result in reprioritization of work assignments which will reduce support to customers resulting in significant delays at the customer service counter, delays in processing applications, delays in inspection schedules, and/or delays in advanced planning work items. To offset these shifts in duties, the public service counter for planning division support will be closed from 12 - 1 pm daily and all day on Friday.
	TOTAL	\$698,672	\$765,756	

POLICE DEPARTMENT

DEPARTMENT PURPOSE

The Los Gatos/Monte Sereno Police Department provides public safety services to the Town of Los Gatos and to the City of Monte Sereno. The principal goals of the Department are to: reduce crime through prevention, detection, and apprehension; provide for the safe and orderly movement of vehicular traffic through traffic calming strategies, enforcement, accident prevention and investigation; provide public safety through regulation and control of hazardous situations; recover lost and stolen property; and prevent crime through innovative problem solving and programs reflecting community needs. The Department also emphasizes a strong Police/Community partnership through innovative volunteer programs such as Reserve Police Officers, Volunteers In Policing (V.I.P.), Disaster Aid Response Team (D.A.R.T.), Police Chaplain program, Parking Citation Hearing Officers, Pipe and Drum Team, and the Police Explorer Scout program.

PRELIMINARY ADJUSTMENT STRATEGY

The Police Department's core purpose is to provide public safety services to the residents of Los Gatos and Monte Sereno. When developing its budget proposals, the department held preservation of these public safety services as its first priority. The budget adjustments proposed were selected from the field of available options because they would have the least impact on provision of public safety services, and on those auxiliary services which directly support the public safety function. Within the overall goal of preserving public safety services, the proposals are focused on three adjustment strategies: create new revenue opportunities, target expenditure reductions to areas which would have the least impact on service delivery, and avoid layoff of employees (including holding personnel vacancies as they arise).

The department is proposing a new revenue opportunity, to create a vehicle impound area at the Corporation Yard, for storage of impounded vehicles. This idea needs more detailed analysis, including start-up and implementation costs and further understanding of revenue expectations. Factors to be considered regarding implementation of this proposal include the capacity of the Corporation Yard facility to absorb this use of space, any capital improvements that would be required, security for the stored vehicles, any traffic impacts in the area, and an administrative process for checking vehicles in and out.

The department is also proposing an Alarm Licensing Program revenue opportunity. Under this proposal, owners of all private security alarms would be required to obtain a license from the department. Factors to be considered when planning an implementation strategy include the need to amend the Town Code to require security alarm licenses, a public education campaign to publicize the new requirement, the policy for residential versus commercial alarm owners, an administrative process for issuing licenses, and any violation fees to be charged for non-compliance.

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Both the Tier I and Tier II revenue impacts for these ideas assume full implementation of this proposal; however, it likely would require more than one fiscal year to realize full benefits. If the projected revenue is not achieved in the first year, other offsetting measures would need to be taken in the Police Department or elsewhere to make up the difference.

In the parking management service area, the department is proposing adjustments that would affect its ability to implement the zoned Downtown Parking Management Plan. The department will be seeking Council input on its desired direction for future Downtown parking management policy at a future Council meeting.

Preliminary Tier I budget adjustments would result in the reduction of a total 3.5 FTE filled positions and Tier II budget adjustments would result in the reduction of an additional 2.5 FTE filled positions and 2.0 vacant positions.

POLICE DEPARTMENT

DEPARTMENTAL SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
<i>Intergovernmental Revenue</i>	993,810	884,700	902,564	789,926
<i>Service Charges</i>	324,645	309,500	316,571	303,061
<i>Fines and Forfeitures</i>	66,693	36,000	132,891	125,000
<i>Other Sources</i>	60,791	-	23,886	-
* <i>Parking Management Program</i>	423,690	-	-	-
TOTAL REVENUES	\$ 1,869,629	\$ 1,230,200	\$ 1,375,911	\$ 1,217,987
EXPENDITURES				
<i>Salaries and Benefits</i>	7,105,249	7,634,300	7,466,053	7,242,800
<i>Operating Expenditures</i>	774,223	723,690	781,821	658,960
<i>Fixed Assets</i>	27,768	-	3,833	-
<i>Internal Service Charges</i>	1,377,208	1,237,600	1,216,196	1,127,800
* <i>Parking Management Program</i>	497,669	-	-	-
TOTAL EXPENDITURES	\$ 9,782,117	\$ 9,595,590	\$ 9,467,902	\$ 9,029,560
EXPENDITURES BY PROGRAM				
Administration	\$ 427,653	\$ 342,600	\$ 329,409	\$ 322,720
Records and Communications	\$ 1,378,788	\$ 1,424,125	\$ 1,345,011	\$ 1,263,375
Patrol	\$ 4,568,000	\$ 4,588,525	\$ 4,498,637	\$ 4,149,375
Investigations	\$1,325,737	\$1,555,040	\$1,650,856	\$1,668,240
Traffic	\$ 712,267	\$ 851,900	\$ 841,832	\$ 861,440
Personnel & Community Svcs	\$ 872,002	\$ 833,400	\$ 802,158	\$ 764,410
* <i>Parking Management Program</i>	\$ 497,669	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 9,782,117	\$ 9,595,590	\$ 9,467,902	\$ 9,029,560

Parking Management Program is reflected in Fund 207

POLICE DEPARTMENT

POLICE DEPARTMENT STAFFING

Full Time Equivalents (FTE)

	01/02	02/03	02/03	03/04
	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
<i>Town Staff</i>				
Chief of Police	1.00	1.00	1.00	1.00
Police Captain	2.00	2.00	2.00	2.00
Police Sergeant	9.00	9.00	9.00	9.00 *
Police Officer	34.00	34.00	34.00	34.00 *
Community Services Officer	4.00	4.00	4.00	4.00
Crime Analyst	1.00	1.00	1.00	1.00
Records Communications Manager	1.00	1.00	1.00	1.00
Secretary to Chief	1.00	1.00	1.00	1.00
Communications Dispatcher	8.00	8.00	8.00	8.00 *
Administrative Analyst	1.00	1.00	1.00	1.00
Police Records Specialist	4.00	3.00	3.00	3.00 *
Parking Coordinator	1.00	-	-	-
Parking Control Officers	10.00	-	-	-
TOTAL PROGRAM FTEs	77.00	65.00	65.00	65.00

	01/02	02/03	02/03	03/04
	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
<i>Temporary Staff Hours</i>				
Community Service Officer Interns	8,320	9,360	9,360	2,080
Communication Dispatcher - Temp	520	520	520	520
TOTAL ANNUAL HOURS	8,840	9,880	9,880	2,600

*Defunded 1.0 FTE

KEY PROGRAM SERVICES

POLICE DEPARTMENT

Administration Program

- Develop and monitor the department's annual operating budget
- Administer department operations
- Provide policy and philosophy guidance

Records and Communications Program

Records

- Respond to customer inquiries
- Process police reports and citations
- Process criminal and traffic warrants
- Provide fingerprint services to citizens

Communications

- Respond to 911 calls and other emergency/non emergency calls
- Provide dispatch service to Patrol
- Dispatch emergency personnel
- Handle customer inquiries
- Maintain audio recordings of radio and phone traffic; provide copies for court and department use

Patrol Program

- Respond to calls for service
- Support the Department's traffic enforcement and traffic control program
- Investigate crimes and traffic accidents
- Solve citizen problems using proactive problem oriented policing techniques
- Perform directed patrol and self initiated activity during non committed time
- Oversee Disaster Aid Response Team (DART) and Reserve Police Officers
- Provide emergency services

Investigations Program

- Investigate and solve crimes
- Assist in the prosecution of offenders
- Provide services to victims
- Provide diversion opportunities and counseling to local youth
- Assist in management of property and evidence
- Monitor and register narcotics and sex offenders
- Provide strategic and tactical crime analyses

Traffic Program

- Respond to and investigate traffic accidents
- Educate the public on traffic safety

Personnel and Community Services Program

- Provide personnel management and development
- Manage volunteer program
- Coordinate emergency management response, training of personnel and maintenance of Emergency Operations Center (EOC)
- Provide services and support to all Los Gatos schools via the two school resource officers and DARE Program
- Participate in numerous crime prevention programs including National Night Out, school safety/security, personal security, Drug Free Community, and rape awareness
- Provide timely information and crime data via the Police Connection Cable TV show
- Develop, coordinate, and manage the Community Emergency Response Team

Parking Management Program

- Manage the Parking Management Program
- Monitor and enforce municipal code and vehicle code regulations
- Communicate with and educate residents, businesses, and visitors on parking regulations
- Monitor residential, town employee, and business employee parking permits
- Coordinate and implement Holiday Parking Program and promotion

LOS GATOS/MONTE SERENO POLICE DEPARTMENT PRELIMINARY BUDGET PROPOSALS

FY 2004/05

\$ 9,029,560
\$ 555,000
\$ 1,090,000

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<i>New Revenue - Impounded Vehicles: Consider revenue options related to impounded vehicles. Options include storage at Corporation Yard and institution of a storage fee. The vehicle of a driver found driving on a suspended driver's license must by state law be impounded for 30 days. Currently, such vehicles are stored at private impound yards, which charge a storage fee. In addition, the Town charges a fee of \$100 per vehicle for a "Vehicle Release" form, which is required before a vehicle may be released.</i>	\$156,000	\$156,000	<i>Impacts of this proposal would vary, depending on the location and administration system chosen. Use of existing Town staff to administer the program might result in offsetting administrative costs, such as staff time to store and release vehicles, record keeping and data tracking, and management of lien sales, as applicable. Potential capital costs include boundary fencing and gates inside existing space at the Corporation Yard.</i>
2	<i>New Revenue - Alarm Licensing Fee: Institute a new Alarm Licensing Fee, under which all private security alarms, must be licensed through the Town. This would encourage alarm owners and alarm companies to maintain the operational reliability and proper use of alarm systems, and reduce the occurrence of false alarms. It would also facilitate officer response to alarm calls by ensuring that alarms are reviewed annually for proper operation. Currently, alarm owners are charged only for false alarm calls for service, after the third false alarm.</i>	\$30,000	\$30,000	<i>Proposal may require adoption of a Town Ordinance. This proposal would require more than one fiscal year to realize full benefits. Estimated revenues reflect first-year projections; revenues are expected to increase in the next few succeeding years and then level out. Local municipalities that have implemented an alarm licensing program include Los Altos, Palo Alto, and Santa Clara. Offsetting staff costs will result; these will be defined further in implementation plans.</i>

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
3	Reduce Materials and Supplies Expenditures:	\$30,000	\$30,000	Proposal would have varying impact, depending on those line items targeted.
4	Defund 1.0 FTE Parking Control Officer: Defund 1 full-time Parking Control Officer (PCO) position, reducing the number of PCO positions from 6 to 5. These non-sworn positions are held in the Parking Management Fund, a special fund partially subsidized by the General Fund. PCOs are responsible for daily town-wide enforcement of parking regulations, including issuance of parking violations. In 2003/04, it is estimated that PCOs will generate approximately \$597,000 in parking violation revenue.	\$60,000	\$60,000	Proposal would result in reduced number of PCOs available for enforcement of parking regulations, specifically evening enforcement and enforcement of permit zones. PCOs also provide support to Patrol staff on an as-needed basis, to perform non-law enforcement tasks; this proposal would reduce the ability of PCOs to provide such support. It might be possible to use department volunteers on an increased basis to provide this Patrol staff support. This proposal could result in reduced citation revenue. At both the Tier I and Tier II levels, the General Fund subsidy of the Parking Management program would be reduced.
5	Defund .50 FTE Records/Communications Manager: Reduce the full-time Records/ Communications Manager position to half-time. This non-sworn position supervises all 8 Communications Dispatcher and 2 Records Specialist positions. Position also serves as Custodian of Records, DOJ Agency Terminal Coordinator, and security and training coordinator for NCIC/CLETS/CJIC.	\$63,000	\$63,000	Proposal would result in reduced management oversight/supervision, creating need for acting supervisor duties from other employees. Proposal would create a longer response time for records requests and other lower-priority duties. Allied agencies would experience delayed response to requests for information. Some duties would be reassigned to other department staff, already affected by position reductions.
6	Defund 1.0 FTE Parking Control Officer: Defund an additional full-time Parking Control Officer (PCO) position, reducing the number of PCO positions from 5 to 4.	\$60,000	\$60,000	Proposal would result in those impacts noted in Proposal No. 4, above, at an incrementally greater level.

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
7	Motorcycle Officer Reassignment: Reassign 1 of the 4 Police Officers currently assigned in Traffic (motorcycle enforcement) to Patrol. Motorcycle Officers are a specialty assignment, used primarily for specialized enforcement of traffic regulations, and to support the Town's traffic calming program.	\$17,000	\$17,000	Proposal would result in reduced number of Officers available for specialized enforcement of traffic regulations. The responsibility to support traffic calming efforts would be partially assumed by Patrol. This proposal would also, however, mitigate the proposed defunding of Police Officer positions. Savings would result from specialty pay, vehicle replacement, and vehicle maintenance.
8	Defund 1.0 FTE Parking Coordinator: Defund the full-time Parking Coordinator position. This position is held in the Parking Management Fund, a special fund partially subsidized by the General Fund. This Management unit position is responsible for implementation of zoned Parking Management Program and the annual Holiday Parking Program, and for supervision of Parking Control Officers. An evaluation of the legal and capacity issues of funding this position from the Redevelopment Agency is underway.	\$113,000	\$113,000	Proposal would severely limit ability to implement planned zoned Parking Management Program. A Sergeant-level employee would assume oversight of the Parking Management Plan, and supervisory duties for Parking Control Officers, thereby limiting that employee's ability to perform existing duties.
9	Defund Canine Unit: Defund 1 of the 3 Canine Patrol units. Canine units are used to augment Officer patrol efforts; the dogs are trained in specialized skills such as search and rescue, narcotics search, and building searches.	\$26,000	\$26,000	Proposal would result in a reduced depth of staffing for the specialty skills that Canine units provide. Annual savings would include specialty pay, animal care and training, and repair and replacement of the dedicated Canine vehicle. The former Canine vehicle could be moved into the regular Patrol fleet, precluding the need to purchase a new Patrol vehicle.

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
10	Defund 1.0 FTE Police Officer: Defund 1 Police Officer position (hold position vacated in October 2003 vacant, and defund it).	-	\$130,000	Proposal would reduce the total number of funded Police Officer positions from 33 to 32. (1 of the 34 authorized positions was defunded in the 2003/04 Adopted Budget.) Proposal would result in reduced depth of staffing in Patrol, and affect ability to respond to lower priority calls for service or to spend the amount of time on each call which residents are accustomed to. As partial mitigation, department proposes to reassign an officer from current assignment in Traffic to Patrol. Without this reassignment, proposal would necessitate reduced response to low-priority calls for service, or offsetting use of overtime.
11	Defund 1.0 FTE Police Officer: Defund 1 Police Officer position (defund position to be vacated in April 2004, as result of employee promotion).	-	\$130,000	Proposal would reduce the total number of funded Police Officer positions from 32 to 31. It would result in those impacts noted in Proposal No. 10, above, at an incrementally greater level.
12	Motorcycle Officer Reassignment: Reassign a second of the 4 Police Officers currently assigned in Traffic to Patrol.	-	\$17,000	Proposal would result in those impacts noted in Proposal No. 7, above, at an incrementally greater level.
13	Defund 1.0 FTE Community Services Officer: Reduce the number of full-time Community Services Officer (CSO) positions from 4 to 3.	-	\$80,000	Proposal would result in a reduced depth of staffing for administrative support. Duties from other vacant/defunded positions have been shifted to this position; therefore, other duties would be reduced, such as community events, Human Resources duties, crime scene/evidence duties, and investigations support.

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
14	<i>Defund 0.5 FTE Crime Analyst: Reduce the full-time Crime Analyst position to half-time.</i>	-	\$48,000	<i>Proposal would result in a further reduced depth of staffing for administrative support. Duties from other vacant/defunded positions have been shifted to this position. Therefore, other duties such as critical crime analysis and investigations support would be reduced to below 25% of their current level.</i>
15	<i>Defund 1.0 FTE Police Officer: Defund 1 Police Officer position.</i>	-	\$130,000	<i>Proposal would reduce the total number of funded Police Officer positions from 31 to 30. In addition to service impacts described above, in Proposal Nos. 10 and 11, this proposal would necessitate an additional reassignment of officers, from Investigations, causing a reduction in the ability to initiate and prosecute criminal investigations, including sophisticated and long-term investigations. Without this reassignment, proposal would necessitate reduced response or non-response to low-priority calls for service, or offsetting use of overtime on an ongoing basis. The impacts of this proposal would also be mitigated by increased use of the Community Services Officer Intern temporary positions.</i>
	TOTAL	\$555,000	\$1,090,000	

PARKS & PUBLIC WORKS DEPARTMENT

DEPARTMENT PURPOSE

The Parks and Public Works Department (PPW) is responsible for maintaining the Town's public parks, facilities, and infrastructure. Four organizational units (Administration, Parks and Forestry, Engineering and Capital Projects, and Streets and Signals Programs) work in coordination to achieve the Department's overarching goal of ensuring these public use areas are safe, functional and attractive. Additional services that support these objectives include: the Facilities and Vehicle Maintenance, Sanitary Sewer Maintenance, and Non-Point Source Programs. In addition to providing ongoing maintenance activities, PPW staff provide information and outreach to Town residents, merchants, and the public concerning the Department's programs and activities that are available or projects that may affect them. The Department strives to provide residents and the business community with the highest quality service possible, with dedication and professionalism.

PRELIMINARY ADJUSTMENT STRATEGY

In developing the preliminary budget proposals for FY 2004/05, the Parks and Public Works Department looked for solutions to enable the department to continue to provide core services as much as possible. The first approach was to identify opportunities to better align service costs with funding sources. This approach relieves the General Fund of certain expenditures more appropriately funded elsewhere, such as the Redevelopment Agency and Solid Waste Special Revenue Funds. Maintaining certain current vacancies and reallocating existing staff to meet current service levels in core services is another approach used by the department. In addition, the department is exploring partnerships with other local agencies to share expenses for similar services.

Through attrition and partial vacancies, the department will continue to allocate staff resources to provide basic core services to the extent possible. The department anticipates additional vacancies in the next fiscal year. Tier II reductions will result in defunding 2.5 FTE of vacant General Fund positions.

PARKS & PUBLIC WORKS DEPARTMENT

DEPARTMENTAL SUMMARY OF REVENUES AND EXPENDITURES

	01/02	02/03	02/03	03/04
	Actuals	Adjusted	Estimated	Adopted
REVENUES				
<i>Miscellaneous Taxes</i>	11,375	11,000	9,161	11,000
<i>Licenses & Permits</i>	79,946	81,500	91,803	101,000
<i>Intergovernmental</i>	1,932	-	-	-
<i>Service Charges</i>	147,368	164,700	298,476	332,200
<i>Other Sources</i>	71,226	50,000	109,152	50,000
TOTAL REVENUES	311,847	307,200	508,591	494,200
EXPENDITURES				
<i>Salaries and Benefits</i>	2,405,357	2,810,900	2,728,678	3,052,500
<i>Operating Expenditures</i>	1,133,254	1,017,982	1,201,535	998,790
<i>Fixed Assets</i>	40,189	23,300	21,347	17,500
<i>Internal Service Charges</i>	879,665	897,500	878,161	825,120
TOTAL EXPENDITURES	4,458,465	4,749,682	4,829,721	4,893,910
EXPENDITURES BY PROGRAM				
Administration	537,711	193,810	192,167	261,350
Park Services	1,694,665	1,902,630	1,856,301	1,872,050
Engineering & Capital Projects	717,979	1,083,523	1,090,427	1,216,760
Streets/Signals/Sidewalks	1,508,111	1,569,719	1,690,826	1,543,750
TOTAL EXPENDITURES	4,458,465	4,749,682	4,829,721	4,893,910

PARKS & PUBLIC WORKS DEPARTMENT

PARKS & PUBLIC WORKS DEPARTMENT STAFFING

Full Time Equivalent (FTE)

	01/02	02/03	02/03	03/04
<i>Town Staff</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Parks & Public Works Director	1.00	0.80	0.80	1.00
Administrative Analyst	1.00	1.00	1.00	1.00
Administrative Specialist	1.00	1.00	1.00	1.00
Public Works Specialist	1.00	1.34	1.34	1.60
Superintendent	1.70	1.70	1.70	1.60 ***
Town Arborist	1.00	1.00	1.00	1.00
Facilities Coordinator	-	-	-	0.25
Lead Parks & Maintenance Worker	2.00	2.00	2.00	2.00 **
Senior Parks & Maintenance Worker	3.00	3.00	3.00	3.00 **
Parks & Maintenance Worker	13.00	13.00	13.00	11.25 **
Tree Trimmer / High Climber	1.00	1.00	1.00	1.00
Parks Service Officer	2.00	2.00	2.00	2.00
Town Engineer	1.00	0.80	0.80	1.00
Associate Civil Engineer	4.00	3.80	3.80	3.80
Sr. Engineer Technician	1.00	1.00	1.00	1.00
Sr. Engineering Inspector	1.00	1.00	1.00	1.00
Engineering Inspector	1.00	1.00	1.00	1.00
TOTAL PROGRAM FTEs	35.70	35.44	35.44	34.50 *

	01/02	02/03	02/03	03/04
<i>Temporary Staff Hours</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Maintenance Assistant	5,970	5,970	5,970	6,100
Seasonal Park Ranger	80	105	105	-
Ticket Booth Attendant	101	300	300	-
Office Intern	1,040	1,040	1,040	1,495
TOTAL ANNUAL HOURS	7,191	7,415	7,415	7,595

* Departmental FTEs include General Fund Programs only

** Defunded 1.0 FTE

***Defunded .20 FTE

KEY PROGRAM SERVICES

PARKS AND PUBLIC WORKS DEPARTMENT

Administration Program

- Provide regulatory and project updates and obtain feedback from staff
- Manage departmental budget
- Pursue grant funding to enable Town to implement key projects
- Facilitate neighborhood meetings to discuss concerns related to traffic calming, street improvements, and other parks and public works related issues
- Provide staff support to the Parks Commission and Transportation and Parking Commission and assist in coordination of Commission-sponsored projects
- Provide support for town-wide committees having mutual project interests, such as the Chamber of Commerce's Beautification Committee
- Oversight of department's employee training and safety programs

Parks & Forestry Program

Park Maintenance

- Maintain and improve 62 public sites including 12 parks, the Los Gatos Creek Trail, three open space areas, 15 acres of landscaping for median islands and parking lots, and grounds maintenance for five Town owned buildings

Urban Forestry Program

- Maintain all park, median island trees and plants, and all trees planted on public property
- Coordinate the tree removal permit process to protect trees and manage tree inspection services

Park Service Officers

- Provide public assistance, user safety and code enforcement in the Town's parks system, patrolling the park system seven days per week
- Conduct interpretive programs and educational programs at parks and local schools annually

Volunteer Projects

- Coordinate volunteers, including high school students, who maintain and construct parks related projects, including parks and trails system improvements, debris removal and roadside weed abatement
- Supervise the Department of Corrections Work Furlough Program for clean-up projects

Open Space Maintenance Districts

- Oversee contract services for six Landscaping and Lighting Benefit Assessment Districts
- Maintain three Town-owned open space areas: Heinz, Santa Rosa and Novitiate Open Space Areas

Park Improvements

- Conduct ongoing maintenance and improvement projects, as needed, to ensure equipment and facilities are functional and in safe operating condition

Special Events

- Provide support services for Town-sponsored events, in particular the annual Keep Los Gatos Beautiful Month, Music in the Park, Screen on the Green, 4th of July event,, and the downtown tree lights and holiday tree lighting ceremony in the Town Plaza. Services for other agency-sponsored events are provided on a cost-recovery basis

Parks Use and Reservation System

- Manage the park reservation and user fee system

Engineering & Capital Projects Program

Capital Improvement Projects

- Provide plans, specifications, estimates, right-of-way plans, property descriptions for Town projects, coordinate consultants and administer contracts
- Design and administer projects for the annual Capital Improvement Program, including curb, gutter and sidewalk improvement analysis

Development Projects

- Review development applications for compliance with Town grading and engineering standards
- Review plans and approve final maps (tracts) and parcel maps as required by state law
- Conduct inspections of work within the public right-of-way through the encroachment permit process
- Process all petitions for annexation

Traffic Engineering

- Perform traffic engineering analysis
- Manage neighborhood traffic concerns and requests, including traffic calming program

Information Services

- Provide assistance to the public regarding right-of-way issues

Streets & Signals Program

Street Maintenance/Traffic Signal Program

- Maintain traffic signs along public streets
- Maintain visibility of pavement markings, including crosswalks, red curbs and roadway striping
- Maintain 29 signalized intersections and 2,062 street lights in the public right-of-way

Street Maintenance/Pavement

- Maintain and repair over 105 miles of public streets and 19 parking lots
- Maintain storm drain basins, ditches and culverts

Sidewalk Maintenance Program

- Coordinate concrete sidewalks, curbs and gutters replacement program with CIP program
- Maintain the cleanliness of sidewalks, benches and waste receptacles in the business districts using pressure washing equipment

Special Events

- Provide support services to Town-sponsored events
- Install banners and flags throughout Town at various times during the year to celebrate national and local events, such as the 4th of July

PARKS AND PUBLIC WORKS DEPARTMENT PRELIMINARY BUDGET PROPOSALS

FY 2004/05

\$ 4,893,910

\$ 368,940

\$ 702,440

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<p><i>Reduce PG&E Streetlight Energy Contract Rate</i> <i>Revised PG&E contract for streetlight rate for all town-owned street lights to electricity-only. Current PG&E rates include maintenance service by PG&E which has been very inadequate.</i></p> <p><i>New rate savings is estimated to be \$41,600 for maintenance and \$14,400 for pole painting, a total of \$56,000, not including energy commission taxes, per year.</i></p>	\$ 56,000	\$ 56,000	<p><i>Tier I & II: Service to change lights will actually improve for town-owned street lights. With this change, maintenance staff will be responsible for street light outage maintenance in a cost-efficiency mode, including more efficient street light and pole maintenance procedures than currently used by PG&E. Additionally, staff are in discussions with local agencies (Monte Sereno, Campbell & Saratoga) regarding shared streetlight maintenance costs to obtain additional cost-containment.</i></p>
2	<p><i>Engineering & Parks Fee Revenue Increases</i> <i>User Fee Rates are scheduled to increase in FY 2004/05 in both Engineering (\$45,000) and Parks Programs (\$15,000), totaling \$50,000 in anticipated additional revenue.</i></p>	\$ 60,000	\$ 60,000	<p><i>Tier I and II: Several Engineering fees are being changed to recover program costs, including development projects, annexations and NPDES regulations. Additionally, a Park User Permit charging residents to park at Oak Meadow Park will be evaluated.</i></p>

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
3	Funding Transfer from Solid Waste Funds Transfer up to \$100,000 from Solid Waste Funds to Streets Program for debris removal activities.	\$ 100,000	\$ 100,000	Streets Program activities related to Solid Waste Fund program objectives will be funded through a transfer from the Solid Waste Fund. Activities to include removal of debris from, and maintenance of public streets, sidewalks, culverts and storm drains. Will fund cost of one Maintenance Worker (\$77,000), to fuel and maintain truck and cleaning equipment, and related supplies (\$23,000).
4	RDA Funding of Engineering Staff Hours – Three FY 2004/05 RDA funded CIP projects will utilize four Engineering staff at a total of approximately 1850 hours.	\$ 128,940	\$ 128,940	Tier I & II: Charge staff hours to the RDA projects: Alley Improvements, Downtown Streetscape and Street Paving where engineering services can be provided in lieu of contractual engineering support..
5	Reduce Engineering Program Operating Expenditures Eliminate any Engineering program operating expenditures that were one-time or are now managed by staff.	\$ 24,000	\$ 30,600	Tier I & II: This measure moves tasks from consultants to in-house and reduces operating expenses with minimal service impacts.
6	Defund 2.5 FTE Maintenance Worker Positions Defund vacant Maintenance Worker positions in the Streets Program (\$85,588, \$77,001, \$38,500)		\$ 201,100	Tier II: Ongoing basic streets and sidewalk maintenance issues, (including filling pot holes, removing debris from roadways, curb & gutter and storm drains), will be delayed in core service response due to reduced staffing level. Mitigated by utilizing temporary Maintenance workers. Service to provide extended storm response will be challenged at this staffing level, and non-essential services such as flag displays will be limited. Potential vacancies to be mitigated with temporary staff.

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
7	Reduce Parks Program Operating Expenses - Reduce contracted services for tree trimming and electrical contracts. Place various parks program line item expenditures to CIP Park Improvement. Submit annual parks improvement recommendations during the annual CIP development. This will reduce Parks Program operating costs.		\$ 51,000	Tier II: Reductions in various parks expenditures and contract services, including electrical services, tree trimming, landscaping and general supplies. Service impacts will be delays in upgrades while items are placed on CIP project lists for improvements.
8	Defund .50 FTE Maintenance Worker Vacancy to be held for ½ year		\$ 38,500	Tier II: A Parks & Maintenance Worker position will become vacant in Spring of 2004. Hold vacant position for ½ year, mitigated with temporary staffing. Fill as determined appropriate.
9	Reduce Street Repair Expenditures Transfer road repair and curb, gutter & sidewalk expenses in the Operation Budget into the annual CIP Street Improvement Budget, and minor reduction to general road supplies expenses.		\$ 18,000	Tier II: Service impacts are minimal at this time because major road repair work is accomplished via the annual CIP Street Resurfacing Program. Pothole repairs will continue to be conducted by maintenance staff, but smaller street paving (beyond potholes) will not be completed by PPW.
10	Reduce Temporary Employee Hours Reduce intern hours from 1495 to 1040 per year.		\$ 10,300	Tier II: Reduction in office intern hours will be mitigated by flexible work hours, to meet high peak customer service hours.
11	Reduce Operating Expenditures		\$ 8,000	Tier II: Reduction of program training expenditures and minor administrative supplies expenses. Mitigated by utilizing HR training funds for safety courses.
	TOTALS	\$ 368,940	\$ 702,440	

COMMUNITY SERVICES DEPARTMENT

DEPARTMENT PURPOSE

The Community Services Department serves as the center for programs which enrich the life of the community. The Department is committed to the following:

- Identifying and responding to the needs of a diverse population, with programs that serve seniors, youth, families, homeowners, renters, and low-income residents
- Promoting a spirit of hometown community by including volunteers and program participants as integral parts of ongoing projects
- Facilitating communication between local human service providers in order to increase effectiveness and to continually improve programs through shared expertise
- Managing Town compliance with a variety of federally mandated programs, targeting those resources toward identified local priorities

PRELIMINARY ADJUSTMENT STRATEGY

The core services of the Community Services Department include senior services, volunteer services, arts and cultural services, housing services, solid waste management services, and community center facility services. When developing its budget proposals, the department held preservation of these core services as its first priority. Given the preliminary budget proposals, the way in which these services are provided in the future will require some policy-level considerations.

The department is responsible for managing the Neighborhood Center. The Council's adopted use policy for this facility states that it shall be managed in a way which benefits local senior citizens, youth, civic and service groups, and community residents. Proposed adjustments in this area would reduce the staff and other resources dedicated to the Neighborhood Center, and result in reducing the number of hours each week that the facility is available for community use, and in eliminating the use of the facility for private parties such as wedding receptions. Implementation of any adjustments will need to include consideration of factors including the desired purpose for the facility in future, the cost and availability of similar services at other local facilities, actual and projected use volume, and the optimum configuration of staff and other resources to meet desired service levels.

The Town grants a total of \$100,020 in General Fund monies annually to local nonprofit organizations, which provide human services and art, cultural, and educational programming. The department is

∞ COMMUNITY SERVICES DEPARTMENT ∞

proposing to reduce the total amount of funds available consistent with the Tier I and Tier II adjustments that the Town organization is proposing for its operations. During the application process this year, nonprofit agencies were notified that the amount of funding might be reduced. At the April 5, 2004 Council meeting, staff will be bringing forward Community Services Commission and Arts Commission grant allocation recommendations for specific Tier I and Tier II strategies.

The department also proposes to reduce (Tier I) or eliminate (Tier II) the annual grant to the Los Gatos Museum Association (LGMA) . This annual grant is provided under a non-competitive 10-year grant contract, which states that the Town may suspend grant payments at any time that the Town finds it has insufficient funds available. Staff has had initial conversations with the Executive Director and President of the Board of Directors, who has brought the issue to the full Board of Directors.

This same approach of making Tier I and Tier II reductions consistent with the organization's reductions is being proposed for the annual service contract with the Chamber of Commerce. Discussions with the Chamber would need to occur to build the Chamber budget in such a way that it achieves the Town's highest priorities in the area of economic vitality.

∞ COMMUNITY SERVICES DEPARTMENT ∞

DEPARTMENTAL SUMMARY
GENERAL FUND REVENUES AND EXPENDITURES

	<u>01/02</u> <u>Actuals</u>	<u>02/03</u> <u>Adopted</u>	<u>02/03</u> <u>Estimated</u>	<u>03/04</u> <u>Adopted</u>
REVENUES				
<i>Service Charges</i>	5,055	111,375	85,433	97,350
<i>Interest</i>	-	-	-	-
<i>Other Sources</i>	55,331	59,000	68,364	58,000
TOTAL REVENUES	60,385	170,375	153,797	155,350
EXPENDITURES				
<i>Salaries and Benefits</i>	314,535	358,200	331,149	362,700
<i>Operating Expenditures</i>	150,530	193,300	175,991	171,050
<i>Grants</i>	213,726	213,576	199,263	182,450
<i>Fixed Assets</i>	-	-	-	-
<i>Internal Service Charges</i>	233,602	242,600	243,897	241,350
TOTAL EXPENDITURES	912,394	1,007,676	950,299	957,550
EXPENDITURES BY PROGRAM				
Administration	222,601	165,050	140,779	159,260
Neighborhood Center	391,167	462,400	436,098	445,410
Housing Program	-	83,150	80,694	86,860
Community Grants	231,434	245,976	234,042	215,560
Arts & Culture	67,193	51,100	58,686	50,460
TOTAL EXPENDITURES	912,394	1,007,676	950,299	957,550

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COMMUNITY SERVICES DEPARTMENT STAFFING

Full Time Equivalent (FTE)

	01/02	02/03	02/03	03/04
<i>Town Staff</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Community Services Director	0.75	0.75	0.75	0.75
Administrative Analyst	0.30	0.30	0.30	0.30
Administrative Secretary	0.90	0.90	0.90	0.90
Secretary II	1.00	0.95	0.95	0.95 *
Senior Coordinator	1.00	1.00	1.00	1.00
Volunteer Coordinator	0.75	0.75	0.75	0.75
TOTAL PROGRAM FTE's	4.70	4.65	4.65	4.65

	01/02	02/03	02/03	03/04
<i>Temporary Staff</i>	<u>Actuals</u>	<u>Adopted</u>	<u>Adjusted</u>	<u>Adopted</u>
Office Clerk	160	160	160	160
Facility Attendant	470	470	470	470
TOTAL ANNUAL HOURS	630	630	630	630

*Defunded .95 FTE

Additional Community Services Department staffing FTE's are located in Special Revenue Funds.

KEY PROGRAM SERVICES

COMMUNITY SERVICES DEPARTMENT

Administration Program

- Produce and distribute two issues of the Town newsletter annually, and other communications materials as needed
- Manage the Departmental budget, and track fiscal and program performance
- Provide staff support to the Community Services Commission, its subcommittees, ad hoc committees, and projects
- Manage implementation of the General Plan's Human Services Element
- Manage effective use of Departmental personnel and related resources

Neighborhood Center Program

- With Building Maintenance staff, manage Neighborhood Center facilities improvements
- Manage long-term Neighborhood Center leases
- Manage event-based use of the Neighborhood Center
- Manage the Town's Volunteer Program
- Manage the Senior Program and the Senior Center
- Monitor local provision of human services and serve as a resource for local nonprofit service agencies
- Manage Town-wide special events, such as Screen on the Green and the annual July 4th Celebration.

Housing Program

- Administer the Below Market Price Housing Program, in cooperation with the Community Development Department
- Administer the Rental Dispute Resolution Program
- Provide staff support to the Rent Advisory Committee, its subcommittees, ad hoc committees, and projects
- Monitor the Town's affordable housing program, and assist with implementation of the General Plan's Housing Element

Community Grants Program

- Manage annual Community Grant allocation process
- Administer annual grant agreements; track performance and funds distribution
- Monitor local provision of human services, and serve as a resource for local nonprofit service agencies

Arts & Culture Program

- Provide staff support to the Arts Commission, its subcommittees, ad hoc committees, and projects
- Provide staff support to the Art Selection Panel, its subcommittees, ad hoc committees, and projects
- Provide program oversight, staff support, and fiscal accounting for Music in the Park
- Provide program oversight, staff support, and fiscal accounting for Art in the Council Chambers

COMMUNITY SERVICES DEPARTMENT PRELIMINARY BUDGET PROPOSALS

FY 2004/05

\$ 957,550
 \$ 57,500
\$ 115,030

Department's Total Adopted General Fund Budget 2003/04:

Tier I Proposed Budget Adjustment:

Tier II Proposed Budget Adjustment:

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<p>Funding Shift to Solid Waste Management Fund:</p> <p>Fund an additional portion of Town waste collection activities through the Solid Waste Management Fund, rather than the General Fund. Fund revenue comes from surcharges on franchised solid waste collection activities performed by Green Valley Disposal Company. Currently, approximately \$200,000 per year is spent for Town waste-related activities. The activities to be identified under this proposal would be performed in the Parks and Public Works Department.</p>	<p>\$100,000*</p> <p>Revenue shift represents an estimate of the funding transfer to be made.</p> <p>As appropriate activities are identified, this figure may be revised. It is not included in the Tier I and II adjustments for this department</p>	\$100,000*	<p>Proposal would have no impact on service delivery. It would merely change the funding source for existing services, and provide relief to the General Fund portion of the Parks and Public Works Department operating budget. The proposal is funded through undesignated Solid Waste fund balance. In FY 2005/06, when solid waste collection rates are scheduled for adjustment, any additional revenue needed to support these services would be included in the calculation of new rates.</p>
2	<p>Funding Shift to Redevelopment Agency:</p> <p>Fund a portion of the service contract with the Chamber of Commerce through the Redevelopment Agency. Specifically, consider those portions of the marketing and other activities which benefit the Redevelopment Area (Downtown). The 2003/04 service contract with the Chamber totals \$70,000.</p>	\$24,000	\$24,000	<p>Proposal would have no impact on service delivery. It would merely change the funding source for existing services, and provide relief to the General Fund. Only those services that directly benefit the Redevelopment Area would be identified under this proposal. RDA funding capacity requires review.</p>

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
3	<p>Reallocate Administrative Analyst Position:</p> <p>Move 0.05 FTE of the half-time Administrative Analyst position from the General Fund to the Solid Waste Management Fund. It is anticipated that the Analyst will be called on to provide services in the area of solid waste administration beginning in FY 2004/05, as a number of solid waste issues become priority work items. Specifically, the recycling and waste hauling contracts will expire in February 2007, and rate increases are scheduled for July of 2005; both issues will require work beginning in 2004/05.</p>	\$5,700	\$5,700	<p>Proposal would have no significant impact on service delivery although some General Fund activities could become lower priority due to the shift in focus on Solid Waste issues. It would merely change the funding source for the existing half-time Administrative Analyst, and provide relief to the General Fund. The Analyst position is not currently budgeted for in the Solid Waste Management Fund; this proposal would move a portion of the position into that fund, in order to reflect actual projected workload.</p>
4	<p>Reduce Operating Expenditures:</p> <p>Make expense reduction in materials and supplies expense category.</p>	\$7,000	\$14,500	<p>Tier I proposal would have no impact on service delivery. It would correct a budgeting error, which duplicated this expense in two program areas. Tier II proposal would defund most of the department's \$9,000 furniture replacement budget. Replacement of any damaged or missing furniture and equipment might be deferred until funds were available. Neighborhood Center customers might notice the diminished quality of furniture available to them, specifically folding tables, plastic chairs, upholstered furniture in the Lounge and counseling rooms, and meeting room furniture.</p>

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
5	<p>Reduce Temporary Hours:</p> <p>Reduce the number of contracted hours from 25 hours per week to 23 hours per week. This contract employee represents a partial backfill of the defunded Secretary II position. The position is the front line of customer contact on the phone and at the front desk of the Neighborhood Center. Duties include word processing, mass mailings, supply ordering, coordination of office equipment and building maintenance, room reservations, coordination of Art in the Council Chambers exhibits, and assisting staff with special projects.</p>	\$4,600	\$4,600	Proposal would result in a reduced depth of support staffing. Walk-in requests for Neighborhood Center room reservations might not be accommodated. Other departmental staff would be tapped to perform support duties; the total department staff count is 3 full-time and 3 part-time employees.
6	<p>Restructure Chamber of Commerce Service Contract:</p> <p>The Town holds an annual service contract with the Chamber; the 2003/04 contract totals \$70,000. Services include the downtown Information Center, Chamber website, marketing/promotional activities, and Leadership Los Gatos. For 2004/05, the Town could consider building a new contract, beginning from a zero base, and adding services as appropriate.</p>	\$4,200	\$8,400	Tier I and Tier II adjustments represent a 6% and 12% reduction of the total contract amount, respectively. Any impact on services would depend on the service(s) added to or removed from the Chamber contract. Town staff might be tapped to provide some services traditionally offered by the Chamber.

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
7	<p>Los Gatos Museum Association Grant:</p> <p>Reduce or eliminate the annual grant to the Los Gatos Museum Association (LGMA). The Town and LGMA have a 10-year (1999-2009) grant contract, under which the Town grants \$12,430 each year to LGMA. The Town also leases both museum buildings to the LGMA, under a 10-year lease agreement, at the rate of \$1 per year. This lease represents an in-kind subsidy of \$84,000 per year, based on the Town's adopted lease rate of \$1.75 per square foot. The grant contract states that the Town may suspend grant payments at any time that the Town finds it has insufficient funds available.</p>	\$6,000	\$12,430	The Town's annual grant represents 12.2% of the LGMA's budgeted income for 2003/04 of \$101,930. Service impacts are not known at this time.
8	<p>Community Grant Funds:</p> <p>Strategically reduce the amount of Community Grant funds available. The Community Grant program makes General Fund grants to local nonprofit agencies providing human services and art, cultural, and educational programming so Town residents may maintain or improve their quality of life. A total of \$100,020 in grants are made annually. (The Town also administers a separate, federally-funded CDBG grants program.)</p>	\$6,000	\$12,000	Tier I and Tier II adjustments represent a 6% and 12% reduction of the total amount of grant funds, respectively. Under Tier I, \$94,000 would be available for grants. Under Tier II, \$88,000 would be available. Proposal would have an impact on the local nonprofit agencies that receive these funds. The amount of impact would vary between agencies; larger agencies or agencies with a breadth of funding sources might be better able to absorb a reduction, while smaller agencies or those dependent on Town funds might be more affected.

Proposals	Proposed Adjustment	Tier I	Tier II	Service Impacts
9	<p>Reduce Public Education / Information Expenditures:</p> <p>Reduce the department's Community Promotions budget. This budget item is meant to fund one-time public information efforts - such as a special edition of the Los Gatos Vista newsletter, a holiday shopping promotion, or a similar media piece - on an ad hoc basis. A promotions project for 2004/05 has not yet been identified.</p>		13,800	Proposal would eliminate the ability of the department to produce any ad hoc public information pieces. The only media produced would be the twice-yearly Los Gatos Vista newsletter, and the six-yearly Senior Center Newsletter.
10	<p>Reduce Temporary Hours:</p> <p>The defunded Secretary II position is currently partially backfilled through a contract employee working 25 hours per week. The position is the front line of customer contact on the phone and at the front desk of the Neighborhood Center. Duties include word processing, mass mailings, supply ordering, coordination of office equipment and building maintenance, room reservations, coordination of Art in the Council Chambers exhibits, and assisting staff with special projects.</p>		\$19,600	Proposal would severely impact ability to safely and effectively run the Neighborhood Center, a well-used community facility. Elimination of backfill would require limiting hours of the department to 9am- 4 pm; routing all phone calls to the Town's planned centralized call center; relocating the Recycling Coordinator to the Secretary II office to perform minimal building admin duties; and revising facility use policies to eliminate use of the facility for private parties.
	TOTAL	\$57,500	\$115,030	

LIBRARY DEPARTMENT

DEPARTMENT PURPOSE

The Los Gatos Public Library serves as the Town's primary provider of information services, provides access to library materials and digital resources, promotes lifelong learning, and provides educational support. The Department provides collections and services which anticipate the needs of the community; encourages an interest in reading and learning; supports students at the elementary and secondary level with appropriate materials and services; provides current library technologies and training in how to use them; creates a welcoming environment for children which encourages their curiosity, imagination, creativity, and a permanent love of reading; and provides a knowledgeable and service-oriented staff responsive to the community's need for access to the world of information and ideas. The Library provides current, high-demand, high-interest materials in a variety of formats for people of all ages, as well as more traditional resources. Dedicated to the spirit of a learning community, the Library provides a year-round series of children's and teen programs, Summer Reading Clubs, and a book discussion group for adults.

PRELIMINARY ADJUSTMENT STRATEGY

The Library approached its reduction targets with the goal to preserve as much direct public service as possible. The two major categories of the Library's budget are materials and staffing. The Library's materials budget was reduced by 48% in FY 2002/03, to a level that places Los Gatos near the bottom among Bay Area cities in expenditures per capita (see Attachment 1). Over the past year, the Library has undertaken efforts to generate public contributions for the materials collection (see Attachment 2); however, these efforts have not yielded significant dollars.

Since further reductions to the materials budget would not be sustainable, the Library focused on staffing for its reduction proposals. Reductions in staffing result in reduced open hours for the Library, largely due to the configuration of the Library, which occupies two floors and offers three points of public service, and to the level of staff needed to deliver services, such as staffing the public service desks, providing reference services, ensuring a safe environment for library patrons, and accomplishing the behind-the-scenes tasks which make operation of the library possible, such as acquisitions, cataloging, and processing of materials.

The proposed reductions in Library hours were based on an understanding of the level of use of the Library at different times and on the ability to schedule the appropriate level of staffing. In the Tier I proposal, the Library budget is reduced by .25 FTE and 3,068 temporary staff hours through reducing twelve library hours (three hours on each of four weekdays). Under the Tier II proposal, the Library budget is reduced by 1.45 FTE and 5,317 temporary hours by reducing 22 library hours per week and remaining open five, eight hour days per week. The Library would work with neighboring libraries to attempt to coordinate open hours such that a nearby library could be available at most times.

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DEPARTMENTAL SUMMARY OF REVENUES AND EXPENDITURES

	01/02 Actuals	02/03 Adopted	02/03 Estimated	03/04 Adopted
REVENUES				
<i>Intergovernmental Revenues</i>	45,473	30,000	26,070	-
<i>Service Charges</i>	3,672	3,500	3,734	3,500
<i>Fines and Forfeitures</i>	51,490	42,500	54,226	67,000
<i>Other Sources</i>	-	-	-	-
TOTAL REVENUES	\$100,635	\$76,000	\$84,030	\$70,500
EXPENDITURES				
<i>Salaries and Benefits</i>	1,069,350	1,196,200	1,149,009	1,200,300
<i>Operating Expenditures</i>	292,521	311,500	281,201	214,665
<i>Fixed Assets</i>	6,325	-	-	-
<i>Internal Service Charges</i>	318,439	374,900	381,656	360,300
TOTAL EXPENDITURES	1,686,635	1,882,600	\$1,811,866	\$1,775,265
EXPENDITURES BY PROGRAM				
Administration	166,703	225,200	224,419	213,390
Adult Services	538,109	498,200	500,289	451,865
Children's Services	340,831	367,200	348,624	357,990
Technical Services	337,616	312,300	285,536	243,880
Circulation Services	303,377	479,700	452,998	508,140
TOTAL EXPENDITURES	1,686,635	1,882,600	1,811,866	1,775,265

LIBRARY DEPARTMENT

DEPARTMENT STAFFING

Full Time Equivalent (FTE)

<i>Town Staff</i>	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Library Director	1.00	1.00	1.00	1.00
Assistant Library Director	-	-	1.00	1.00
Senior Librarian	1.00	1.00	-	-
Principal Librarian	3.00	3.00	3.00	3.00
Librarian	2.75	2.25	2.25	2.25
Associate Librarian	1.00	1.00	1.00	1.00 *
Library Assistant	1.75	2.50	2.50	2.50
Secretary III	0.50	0.50	0.50	0.50
Administrative Analyst	0.50	0.50	0.50	0.50 *
TOTAL PROGRAM FTE's	11.50	11.75	11.75	11.75

<i>Temporary Staff</i>	01/02 Actuals	02/03 Adopted	02/03 Adjusted	03/04 Adopted
Librarian	620	620	620	620
Library Clerks	7,910	6,660	6,660	6,600
Library Pages	4,160	5,200	5,200	5,200
TOTAL ANNUAL HOURS	12,690	12,480	12,480	12,420

* Defunded .50 FTE

KEY PROGRAM SERVICES

LIBRARY DEPARTMENT

Administration Program

- Administer and supervise four operating programs in the department
- Provide oversight of day-to-day operations and scheduling
- Prepare and monitor Library Department budget
- Support Town Library Board and Friends of the Library meetings, programs, and activities
- Develop master planning for Library building replacement or improvements
- Coordinate and maintain the department's existing physical spaces
- Collaborate with area libraries by serving on the Silicon Valley Library System Administrative Council
- Increase public awareness of Library services and programs through effective public relations and marketing
- Provide oversight of Library staff training and development

Adult Services / Reference

Meeting Information Needs

- Provide reference and reader's advisory services
- Maintain viable reference and circulating collections
- Consistently update the Reference Resources area of the Library's Web site to include accurate, timely information
- Provide Interlibrary Loan services for our customers

Information Technologies and Training

- Develop online counterparts to services traditionally available only within the Library's walls
- Provide access to the Internet and training in basic searching and navigational skills

Youth Services Program

Meeting information needs for children 0-17 years of age and their parents

- Provide reference and reader's advisory services
- Manage children's and teens' Web pages
- Manage children's and teens' collections

Providing programs to youth

- Provide year-around programming for infants, toddlers, preschoolers, school-age children, and families
- Plan and promote annual Summer Reading Club to listeners from ages 0-5, readers from ages 5-13 and teen readers from ages 13-17

Outreach to youth

- Raise awareness of youth about collections, services, and programs available at the Library
- Provide an easy method for youth to obtain library cards

Web Management

- Design and maintain Library's Web site

Technical Services Program

- Maintain online catalog to assure customer access to Library materials
- Acquire Library materials
- Maintain Library collections, include shelving of materials

Circulation / Systems Administration Program

- Manage circulation process
- Management of all Library automated systems, including the Library's network

Materials Budgets of Bay Area Libraries

Based on *California Library Statistics, 2003*, published by California State Library, for fiscal year 2001-02, when LGPL's materials budget was \$208, 811.

<u>Library System</u>	<u>Expenditure Per Capita</u>	
Palo Alto PL	\$10.43	
Burlingame PL	\$10.09	
Berkeley PL	\$9.15	
Santa Clara Co. PL	\$7.93	
Monterey PL	\$7.56	
Benicia PL	\$7.45	Average: \$6.41
Redwood City PL	\$7.24	Mean: \$6.50
<u>Los Gatos PL</u>	<u>\$7.21</u>	
South San Francisco PL	\$7.19	
Santa Cruz City-Co. PL	\$6.87	
San Francisco PL	\$6.81	
Santa Clara City PL	\$6.30	
Menlo Park PL	\$6.23	
Mountain View PL	\$5.71	
San Mateo Co. PL	\$5.65	
Watsonville PL	\$5.19	
Marin Co. PL	\$5.11	
Livermore PL	\$5.09	
Sunnyvale PL	\$4.87	
San Jose PL	\$4.86	
Alameda County	\$4.69	
Oakland PL	\$2.99	
Daly City	\$2.92	

*****With LGPL's materials budget for 2003 - 04 reduced by 48%,
the expenditure currently is \$3.45 per capita.**

Fund Raising for Library Collections and Preservation

June, 2003 - February, 2004

1. Amazon.com Wish List

- List posted in June, 2003, asking for donations of specific books and DVDs
- A thank-you letter has gone out to each donor.
- *Make Our Wish Come True* bookmarks are given with every check-out, alerting patrons to list
- Bookplates are placed in each donated book, along with the URL of the Wish List.
- By February 1, 2004, materials have been purchased by 35 donors in the amount of \$1,075.

2. Six Full Page Ads - Los Gatos Weekly Times

- The Friends of LGPL sponsored a series of 6 full-page ads in the *Los Gatos Weekly Times*, created pro bono by a professional graphic artist, and each featuring a different historic Los Gatos photograph. The ads asked for donations to the Local History Project and to the Amazon.com Wish List. Ads were run at an expense of \$3,000.
- The ads resulted in many community members and organizations bringing historic photographs and materials to the Library to be digitized, but did not generate significant revenue.

3. Los Gatos Vista

- The History Project was featured on the front page of the Fall, 2003 *Los Gatos Vista*.

4. Los Gatos Daily News

- September 20, 2003 - Front page photo and story on "Birdcage Ladies," and request for funding
- December 27, 2003 - Front page photo and story on the Los Gatos Pageants, and request for funding

5. Los Gatos Weekly Times

- July 30, 2003 - Front page story - "Los Gatos Library Working to Put Town's Historical Documents Online," and request for funding.
- December 3, 2003 - Main Street Column, by Mary Ann Cook - Lead story titled "Conaway Solves Murder," concerning History Project.
- February 4, 2004 - Main Street Column by Mary Ann Cook - request for older Los Gatos Phone Books and request for funding.

6. Testarossa Vineyards Benefit for History Project

- Attended by several hundred people, this benefit resulted in \$1,195.00 for the project, as well as the opportunity to display historic items to an interested audience.

7. Trader Joe's Photo Installation

- In return for digital images from the Library's collection to be used in the new outlet, Trader Joe's provided our fund raising brochure for their customers.

8. History Project Fund Raising Brochure - Featuring Girl in Carnegie Library, 1906.

- Includes project goals and request for funding. To date, the History Project fund raising drive has resulted in donations of \$10,045 in cash and equipment.

9. Presentation to Los Gatos Lions Club

- September 17, 2003 presentation and PowerPoint program of historic photos resulted in donation of funds for state-of-the-art scanner for the History Project.

10. Presentation to Los Gatos Kiwanis Club

- January 29, 2004 presentation and PowerPoint program of historic photos will result in new laptop computer for History Project.

11. Presentation to History Club of Los Gatos

- January 7, 2004 presentation to History Club resulted in an additional \$1,000 for history project.

12. Collaboration with Los Gatos Weekly Times History Series - to run in 2004

- Dick Sparrer, Editor of the *Los Gatos Weekly Times*, will run six cover stories on local history in the coming year, featuring the History Project in February, 2004. The Library will work collaboratively with the LGWT on the entire project, and requests for funding for the project will be made in each issue. Library photos and results of our research will appear in each story.

13. Arcadia Publishing's Images of America: Los Gatos, forthcoming in Fall, 2004.

- The Library Director has finished a first draft of this book, which will be sold by the Friends of the Library, Testarossa Vineyards, and other retail outlets in Los Gatos, providing funding for the History Project.

LIBRARY DEPARTMENT

2004/05 Proposed Reductions

Library Hours/FTE

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Open Hours	Staffing		Expend Reduction	Cumulative Reduction	% Reduction
									FTE	Temp Hr			
Current	4	11	11	11	11	7	7	62	10.75	12,480			
Proposal 1	4	11	11	11	8	7	7	59	10.60	11,856	\$ 24,439	\$ 24,439	1.4%
Proposal 2	4	11	11	8	8	7	7	56	10.50	11,232	\$ 18,420	\$ 42,859	2.4%
Proposal 3	4	11	8	8	8	7	7	53	10.50	10,268	\$ 20,630	\$ 63,489	3.6%
Proposal 4	4	8	8	8	8	7	7	50	10.50	9,412	\$ 17,813	\$ 81,302	4.6%
Proposal 5	C	8	8	8	8	7	7	46	10.00	8,979	\$ 44,378	\$ 125,680	7.0%
Proposal 6	C	C	8	8	8	8	8	40	9.30	7,163	\$ 103,312	\$ 228,992	12.9%

**LIBRARY DEPARTMENT
PRELIMINARY BUDGET PROPOSALS
FY 2004/05**

Department's Total Adopted General Fund Budget 2003/04:

\$ 1,775,265

Tier I Proposed Budget Adjustment:

\$ 81,302

Tier II Proposed Budget Adjustment:

\$ 228,992

➤ These reductions are cumulative and if not taken in this order, the figures need to be adjusted.

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
1	<p><i>Defund Librarian position by .15 FTE and reduce Temporary Staff by 624 hours</i></p> <p><i>Reduce .75 Young Adult Librarian to .60 FTE. Reduce Temporary Library Clerk hours by 312 and Temporary Library Page hours by 312.</i></p> <p><i>Current staff - 10.75 FTE and 12,480 Temporary Staff hours.</i></p> <p><i>Proposed staff - 10.60 FTE and 11,856 Temporary Staff hours.</i></p> <p><i>Budget reduction achieved is \$24,439 for 1.4%.</i></p>	\$ 24,439	\$ 24,439	<p><i>From 11 to 8 hours on Thursdays. From 62 to 59 hours per week</i></p> <p><i>Hours of operation to be determined in cooperation with area libraries. Compaction of hours creates compaction of service at all points. Long check out lines might be mitigated by self service opportunities. Fewer page hours mean longer "return to shelf" time for items and longer time for newly acquired items to be shelf ready. If possible, increase in use of volunteers for processing newly acquired items.</i></p> <p><i>Librarian reduction is a Young Adult Librarian (least senior), reducing programming for teens from 4 per year to 2. Possible cooperation with Recreation Services.</i></p>

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
2	<p>Defund Librarian position by .10 FTE and reduce Temporary Staff by 624 hours</p> <p>Reduce .60 FTE Librarian to .50 FTE. Reduce Temporary Library Clerks by 312 hours and Temporary Library Pages by 312 hours.</p> <p>Proposed staff - 10.50 FTE and 11,232 Temporary Staff hours.</p> <p>Cumulative budget reduction is \$42,859 for 2.4%.</p>	\$ 18,420	\$ 18,420	<p>From 11 to 8 hours on Wednesdays. From 62 to 56 hours per week.</p> <p>Young Adult services will be impacted with the further reduction of the librarian to a half time position, reducing outreach services to youth from 6 times a year to 3.</p> <p>A second day of shortened hours will further increase the service impacts as stated in the first proposal.</p>
3	<p>Reduce Temporary Staff by 944 hours</p> <p>Reduce Temporary Librarian by 340 hours, Temporary Library Clerks by 312 hours, and Temporary Library Pages by 312 hours.</p> <p>Proposed staff - 10.50 FTE and 10,268 Temporary Staff hours.</p> <p>Cumulative budget reduction is \$63,489 for 3.6%.</p>	\$ 20,630	\$ 20,630	<p>From 11 to 8 hours on Tuesdays. From 62 to 53 hours per week.</p> <p>All service implications in this proposal directly relate to open hours of service.</p>
4	<p>Reduce Temporary Staff by 800 hours</p> <p>Reduce Temporary Librarian by 280 hours, Temporary Library Clerks hours by 288, and Temporary Library Pages hours by 288.</p> <p>Proposed staff - 10.50 FTE and 9,412 Temporary Staff hours.</p> <p>Cumulative budget reduction is \$81,302 for 4.6%</p>	\$ 17,813	\$ 17,813	<p>From 11 to 8 hours on Mondays. From 62 to 50 hours per week.</p> <p>Temporary librarians are no longer funded, resulting in no staff to assign to special projects (history project, web development, collection assessment, readers assistance lists.)</p>

Proposal	Proposed Adjustment	Tier I	Tier II	Service Impacts
5	<p><i>Defund .50 FTE Librarian position and increase Temporary Librarian position by 520 hours. Reduce other temporary staff by 1029 hours</i></p> <p><i>Defund remaining .5 FTE Young Adult position and backfill this position to approximately 25% time with 520 Temporary Librarian hours. Reduce Temporary Library Clerk by 637 hours and Temporary Library Page by 392 hours.</i></p> <p><i>Proposed staff - 10.00 FTE and 8,979 Temporary Staff hours.</i></p> <p><i>Cumulative budget reduction is \$125,680 for 7%.</i></p>		\$ 44,378	<p><i>From 4 to 0 hours on Sundays.</i></p> <p><i>From 62 to 46 hours per week.</i></p> <p><i>From 7 to 6 days per week.</i></p> <p><i>Weekend service reduced by 33%.</i></p> <p><i>Young Adult Librarian (least senior) reduced by half, eliminating outreach and programming to teens.</i></p>
6	<p><i>Defund .50 FTE Librarian position and .20 FTE of a Principal Librarian position; reduce Temporary Staff by 1,816 hours.</i></p> <p><i>Eliminate a .50 FTE Adult Services Librarian position (\$43,944), .20 FTE of one Principal Librarian position, (as of 8/04) (\$17,274), eliminate Temporary Librarian by 520 hours, reduce Temporary Library Clerks by 912 hours and Temporary Library Pages by 384 hours</i></p> <p><i>Proposed staff - 9.30 FTE and 7,163 Temporary Staff hours.</i></p> <p><i>Cumulative budget reduction is \$186,992 for 10.5%.</i></p>		\$ 103,412	<p><i>From 8 to 0 hours on Mondays.</i></p> <p><i>From 62 to 40 hours per week.</i></p> <p><i>From 7 days to 5 days per week.</i></p> <p><i>All staff will have a Tues-Saturday work schedule. To achieve this reduction, a part-time librarian will be cut, thus impacting the ability to staff more than 5 days of service. Duties of defunded librarian position (least senior) will be assumed by existing staff since hours on public service desks are reduced.</i></p> <p><i>Compaction of service demand continues. Slight drop off in demand might occur.</i></p> <p><i>Weekend access is maintained for working people, and the schedule will allow morning and evening access for other customers.</i></p>
	TOTAL	\$ 81,302	\$ 228,992	